



Lombard

# Free maybe, but not independent

BY ANTHONY HARRIS

A LITTLE time ago I had a wage pressures by shifting the burden of tax from industry to the small village in Ireland at the wage-earner.

When an official of the Ministry of Agriculture was explaining to us the terms of grant assistance available from Dublin, he went something like this: "Now there's the grant for drainage," it began £50 per acre. "Well, with all like we have now, it would be costing you at least three times that to do it, so we needn't talk about that any more. But fencing, now with the little you'd need to put up, fence hereabouts, you could even show a profit on that."

I was rapidly reminded of this entrepreneurial attitude to the budget last week, when it happened that I both spent a decent day in Cork as a guest of the chamber of commerce, and read the OECD's full budget report on the Irish economy.

The meeting in Cork was representative of a number of other areas, the warmth of language and the opportunity to boast one of my favourite old school friends in passing that the terms at the meeting were in fact badly worried that despite a good deal of external borrowing, there is explosive monetary growth.

In these circumstances it is only the fact that the Irish currency is sterling that prevents a Latin American slide into depreciation and accelerating inflation, as Professor O'Malley of the University of Cork pointed out in a most impressive talk. The idea of staying at home for ever was another point raised in passing that the terms at the meeting were in fact badly worried that the better outlook for sterling due to North Sea oil might have very severe repercussions in Ireland, where the fall in the exchange rate has barely preserved competitiveness; this is perhaps which will enforce some sanity in the longer run.

## Cash & limits

It is, of course, only the exchange rate which is externally fixed, so far as the Irish are concerned. Monetary conditions are London conditions, and given the very high mobility of labour and capital, Irish labour probably moves more readily to Britain than British labour does between regions; tax rates cannot vary too widely. Wage rates can get ahead in Ireland for a brief and ruinous interval, but cannot fall very far behind. Ireland is in fact very much in the position of a developing region of the U.K., except that its authorities are not subject to Treasury cash and borrowing limits, and its banks are not constrained by consents and special deposits. And even this much independence is short-lived and illusory. I wish the some of our own revisionists and nationalists could have shared my visit or would make their own political independence makes a rousing slogan, but the real thing is more illusory.

This afternoon Bula has only Red Rum and Summerville to heat, and Summerville is well held, judged on their running in the "Mackeson".

As for Red Rum, his ex-partner, Brian Fletcher, has

## RACING

BY ANTONY THORNCROFT

# More high prices paid for Renoirs

AFTER SOTHEBY'S had sold impressionist paintings at a packed sale on Monday evening for a total of £2,514,900 (an encouraging result for this sensitive market), yesterday was Christie's turn. Its major winter auction brought in £1,637,150, with 75 per cent. sold, another good result for an impressionist sale.

A feature was the strong international bidding, and more than 90 per cent. of the pictures sold are destined for overseas. It was a foreign buyer who acquired the top lot, Renoir, "Le Dejeuner à la Berneval", painted in 1883 and showing the artist's son and wife. It sold for £180,000, within forecast, and had belonged to the Hon. Mrs. Gerald Marcow.

On Monday Sotheby's had sold Renoir's "Le Promenade", an early work, for £200,000, the second highest auction price for a Renoir. (A 10 per cent. buyers' premium must be add to all prices.)

Another Renoir, also featuring his son Pierre, was bought by Francis Byrne for £100,000, and a portrait of a woman by Modigliani sold to a Japanese company.



Renoir's 'Le Dejeuner à la Berneval'

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The Financial Times Wednesday December 1 1976

Stadttheater, Stuttgart

## MacMillan's Requiem

by CLEMENT CRISP

"This danced Requiem is dedicated to the memory of my friend and colleague John Cranko, director of the Stuttgart Ballet. Thus Kenneth MacMillan prefaces his newest ballet, given its first performance in Stuttgart on Sunday night. MacMillan's score is the Requiem that Gabriel Faure wrote in memory of his son, after a setting of part of the Mass for the Dead whose gravity reveals the depth of belief without excessive dramatics or sentimentality. It is more like a long contemplation focused as a memorial to Cranko, it seems as added poignancy as a tribute to a friend whose career ran parallel to MacMillan's.

The result is a major work, MacMillan at his most feeling and most questioning about the potential of dance to express emotion. Yolanda Sonnabend has devised an austere stage picture: square columns of misted glass rise into the flies, lit from above, with a white back-cloth and wings. The dancers, save for two principals, are in flesh-coloured tights, decorated on the trunk with striations and patterns that recall the musculature of the body, reminiscent of drawings by Pavel Tchelitchew and William Blake.

Blake's drawings have also inspired certain initial ideas. MacMillan has developed to feed his dance—inspired by Blake's *Saints in Heaven*, *Job*, *The Four Elements*, exactly that which the choreography presents and extends through movement.

And just as Blake's piercing vision moved far beyond the conventional art of his time, so does MacMillan escape traditional platonism to seek something both directly communistic and powerful in the text of the Mass.

His response to words has always been original (we have but to remember *Song of the Earth* or *Image of Love*), and the prayers of the Requiem provide the most serious inspiration to date, not for literal translation into dance but as seeds that grow into movement inspired by their imagery.

The ballet begins with a shock.

First Kell incarnates both the

hope of peace and the sacrificial

aspect of the Lamb. On the

opening Requiem aeterna,

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Requiem becomes Cranko's

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ironically reminds us of his

belief in MacMillan yet again.

after a single viewing, but the Madsen and a group of men, their bodies flung and tossed by their contemplation of the day of wrath, and when Madsen is carried away, Haydee is borne behind him as the promise of redemption. The final *Laudes* finds Faure's luminous writing matched at every point by MacMillan's serene evocation of paradise rest. The girls of the corps are brought in, floating high over the stage. The entire cast then walk to form a central group which divides in two as the stage is brilliantly illuminated by the radiance from above. They stand motionless, then exit—some walking, others carried—while Haydee is lifted high and triumphant by Cranon and Anderson, suggesting the last feeling of eternal rest and peace.

The succeeding *Offertorium* finds Richard Cragun grieving alone (he wears a simple loin-cloth, and looks very like Padre's John the Baptist). To him comes Haydee as a hope of liberation from the pains of hell, and she follows a tender duet, echoed later after the fashion of *Concerto* and *Requiem* by three other couples. But with

prizes Cragun is again alone, and the prayer for the redemption of the soul is exemplified in what is, for me, the most extraordinary sequence in the ballet: a solo in which his body is sometimes curled on the ground, then stretched in broad sweeps of energy in which Cragun's easy fluidity of movement is beautifully used. At the recapitulation of the opening *Dominus Jesu Christus* Cragun kneels in supplication as the girls of the corps ballet are carried on as if in realization of the prayer.

The *Sanctus* which follows opens with another shock: Haydee launches herself in a joyous leap into Reid Anderson's arms—the text's "Heaven and Earth are full of Thy glory" radiant in visualisation—and with the closing *Hosanna* she seems to float highest, supported on the knees of the reciting Anderson. The *Pie Jesu* contains the most unusual writing in the ballet, with Haydee engendering a feeling of absolute trust and innocence as an angelic figure sometimes seated on the ground, or moving across the stage as if contenting the earth for below.

Unexpected in its outline, the dance yet seems completely in accord with the music and the prayer for eternal peace.

In the succeeding *Agnus Dei* the cast, too numerous for me to count but including most of the company, shuffle on stage at the opening *Requiem aeterna*, fists raised heavenwards. It would be impossible for me to as Haydee again enters as the representation of consolation. The further action, especially by

her movement inspired by her imagery.

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Round House

## A Mirror on Which to Dwell

by MAX LOPEERT

After so many years of celebrating all his immensely significant musical explorations into various forms of instrumental music, Elliott Carter has composed a set of six songs, for soprano and nine players, *A Mirror on Which to Dwell*, given in New York in February, on Monday was sung by Jane Manning, with an ensemble drawn from the BBC Symphony Orchestra conducted by Pierre Boulez. The work, replete with eagerness, proved a success, as if surprising bold of invention, and full of reward. It is a first encounter with Carter's music can be.

These are, at first sound, angular songs, fearlessly wide in range of line, patterned and undercurrents of contrast in the poetry. Seldom, in the six Elizabethan poems chosen for songwriting by Carter, A typically elliptical, quietly illusive image is the centre of the composition, it sums up the reflective nature of the poetry. Poetry that reflects its protagonist in complex, subtle, and close, sometimes difficult, always warm relationship with another; that reflects the sensations of the external world (of animals, external scenes, Nature both wild and tame); that reflects in another tone, in quick, meditative thought-expression; and, finally, our mirrors the many-layered connections and relationships possible between all these modes of reflection, as drawn in the finely delicate web of Miss Blakes language.

Embarking upon poetry so subtle, with an unobtrusive yet acute a sense of the play of word-sound upon word-meaning, Carter has acted with a characteristic measure of daring and risk-taking. An obvious method of "soundings" the verse in music would be to clothe the words as simply and directly as possible. Instead, with all the vibrant expressiveness of a language forged out of simultaneous contrasts and the richness of contrariety, the

music seeks out the currents and undercurrents of contrast in the poetry. Seldom, in the six songs, the special illumination of a single word or phrase (though when such happens, as in a will-o'-the-wisp, texture around "so wrap up care in a cobweb" in "Insomniac," the effect is magical); by means of instrumental or instrumental-vocal contrast—between bongos and low strings in "Argument," the second song, between high soprano oboe and voice in "Sand-piper," the third—the luminescence of the verse is re-invented. The music's memory in noblest fashion, and sustained, in musical terms.

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The Society of West End Theatre Awards

The inaugural Society of West End Theatre Awards have been announced as follows: Designer of the Year: Farrah; Director of the Year: Jonathan Miller; Comedy Performance of the Year: Penelope Keith; Actor of the Year in Revival: Alan Howard; Actress of the Year: Dorothy Tutin; Supporting Artist of the Year: Margaret Courtenay; Actor of the Year in a New Play: Paul Coppy; Actress of the Year in New Plays: Peggy Ashcroft; Comedy of the Year: Donkey's Comix; Musical of the Year: A Chorus Line; Play of the Year: Dear Daddy.

Best of all perhaps was the outrageously cod delivery of words of Chopin's B-flat minor mazurka by Pauline Viardot—masterful of naughtiness! A Special Award was made to The Save London's Theatres Campaign. A Paganini setting of his own Campanella to "E pur

amabile" and a lovely student essay of Puccini vividly pre-echoing Bohème were both more charming than naughty. But a wickedly insinuating frame-up of Kreisler by Geraldine Farrar, and in another vein (or as Miss Berberian herself put it, another Vaughan) the Ravel-transformation of "The Lamp is Low," were as deliciously exact as they were deliciously funny. Happy even delicate, as well as one of the funniest and most hugely joyful shows she has conceived: no mere nightowls carpet act, but a brilliant mirror of an extraordinary musical personality.

Second-hand was an offshoot of Berberian's Turn-of-the-Century programme—an expansion of the bizarre collection of famous instrumental works set to words which first seemed unearthed. Exemplary appreciation would take in every number of the evening, but space allows only the brightest gems: a marvellous deadpan setting to words of the first movement of Beethoven's Moonlight sonata—Act Du gest"; a surreal Hebrew Liturgy made from part of the slow movement of the Emperor concerto; a wonderful up-campagne by one Professor Grisepenert of the first movement of Beethoven's Moonlight sonata—Act Du gest"; a surreal Hebrew Liturgy made from part of the slow movement of the Emperor concerto; a wonderful up-campagne by one Professor Grisepenert of

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## EUROPEAN NEWS

DAVID SATTER, Our Moscow Correspondent, recently back from a journey to the Uzbek Republic, reports on one of the USSR's remotest regions.

## The sickle and the crescent

ON A BUSY boulevard, across from Tashkent's large department store, stands a 16th-century school for training Moslem priests. Passed by milling crowds and traffic, the rectangular building with its massive walls and pointed arches provides a silent reminder in modern, multi-national Tashkent of a traditional Islamic past.

The past is easy to forget in Tashkent, the capital of the Uzbek Soviet Republic and a city of 1.8m. Already the most Sovietised of the Republic's major cities, Tashkent is embarking on a construction programme which will provide modern housing for thousands of people—but which will also involve the destruction of old Uzbek districts with their crowded, one-storey clay houses, dimly-lit passageways and winding streets.

Tashkent is expected to have a population of 2.6m. by 1980, which could make it the third largest in the Soviet Union after Moscow and Leningrad. The increase is expected to result from immigration from the countryside and a rate of natural increase in Uzbekistan of 3.5 per cent. a year compared to 1 per cent. for the Soviet Union as a whole.

The future city is to consist of multi-storey apartment buildings, open squares, parks kept green by the city irrigation network and artificial lakes. A sports stadium with a seating capacity of 100,000 is to be erected and a new underground railway built to withstand Central Asian seismic disturbances is to be built with an ultimate length of 40 kilometres. The first 12-kilometre leg of the system is to open next year.

The changes in Tashkent, and similar, although less extensive, physical changes planned for such cities as the fabled Silk Route as Samarkand and Bukhara reflect the continuing modernisation of the Uzbek Soviet Republic, an ancient land of merciless heat and parched, barren steppes which has been transformed since the Russian revolution from a neglected oriental backwater into a major industrial and agricultural centre.

In 1913, there was little industry in Uzbekistan aside from a few cotton plants in the hands of private owners. To-day, 88 per cent. of the "republic's" products are industrial and there are a hundred, only 2 per cent. of the popula-

tion could read and write before the revolution.

In the 1920s, the first woman to appear on stage in Tashkent was considered, as were women who removed their veils in Samarkand. Today 78 per cent. of the Republic's teachers and doctors are women as are 100,000 of Uzbekistan's 489,000 communistic party members.

Uzbekistan produces two-thirds of the Soviet Union's cotton, accounts for 14 per cent. of its gas production and contains a high proportion of its cotton-related industry.

The Republic has a population of 14.5m., 67 per cent. of whom are engaged in agriculture. Gross agri-

cultural output was six times greater in 1975 than in 1913 and production of cotton

Uzbek and the total population is expected to reach 30m. by the year 2000.

At the epicentre of the 1966 Tashkent earthquake, there is a monument encircled by a mural depicting the help in reconstructing Tashkent which came from each of the constituent Soviet Republics. The theme of the mural is that "friendship of peoples is stronger than the elements."

National self-expression is encouraged in Uzbekistan as long as it pre-supposes participation in a multi-national Soviet state.

Newspapers are published in Uzbek, as well as in Russian, Tatar, Kazakh and Karakalpak. Uzbek composers and writers are studied and published. The Uzbek language book publishing industry is active and 70 per cent. of the broadcasts in the Republic are in Uzbek. Children may attend either Uzbek or Russian language schools with compulsory instruction in the other language beginning at the age of eight. The Soviets are not

solicitous of aspects of Uzbek culture which contradicts Marxist-Leninism

or express following day.



1. BANK OF AMERICA
2. CITIBANK
3. CHASE MANHATTAN
4. MANUFACTURERS HANOVER
5. CHEMICAL
6. MORGAN GUARANTY
7. CONTINENTAL ILLINOIS
8. BANKERS TRUST
9. FIRST NATIONAL, CHICAGO
10. SECURITY PACIFIC
11. WELLS FARGO
- 12.
13. CROCKER NATIONAL
14. UNITED CALIFORNIA
15. IRVING TRUST
16. MELLON
17. FIRST NATIONAL, BOSTON
18. NATIONAL BANK OF DETROIT
19. FIRST PENNSYLVANIA
20. BANK OF NEW YORK

## Can you name the 12<sup>th</sup> largest bank in the U.S.?

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We have \$541 million in capital, \$80 million in reserves, and \$10.5 billion in assets.

We have 316 branches throughout New York State and 29 offices throughout the world. Have you guessed our name yet?

We have our international operations based in New York City's financial district.

with key people in the world's major money centers. We have extensive experience in foreign exchange and in foreign currency management. Do you need another clue?

We do business with half of the leading U.S. national and multinational companies on the "Fortune 500" list. And over 750 banks in more than 130 countries.

Now do you know who we are?

We're the Marine Midland Bank.

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Because you arrive at TWA's own terminal. A very advanced building, designed by world-famous architect Eero Saarinen, offering its own International Arrivals facilities for the exclusive use of TWA passengers.

No other international airline offers you such privacy or, indeed, such a terminal.

Naturally it has everything you expect a good terminal to have. Places to eat, places to meet, as well as shops and a bank.

More important, its unique layout allows

the combination of maximum efficiency for traffic with the maximum comfort for passengers.

In fact, by the time you leave the plane and reach the front door of the building, having passed through immigration and customs on the way, you will have walked less than 100 yards.

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You not only get a nice trip through the air. You get a nice trip through the terminal too.



1. Now you're off to know. You have the air and through a covered bridge so there's no worry about the weather. The first advantage of arriving in New York with the airline that's an exclusive terminal.



2. Inside the terminal you get straight onto the escalator down in the International Arrivals area which is exclusive to TWA passengers. No other airline offers you this big advantage.



3. You pass through immigration faster because no other airline uses the terminal.



4. When you pass immigration, chances are you'll find your luggage waiting for you at a check-in counter of TWA's own terminal. Another advantage of TWA's own terminal is that TWA customers can get their luggage checked in at the same time.



5. Exclusive customer lounge for TWA passengers. There are 30 berths to set you through flight.



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## AMERICAN NEWS

# Carter says Kissinger may act as mediator

BY DAVID BELL

PRESIDENT-ELECT Jimmy Carter, the President-elect, said last night that he intends to give much more emphasis to "international economic problems". In his administration, firmly ruled out mandatory U.S. wage and price controls, and said he might use Dr Henry Kissinger as a mediator on an ad hoc basis.

In a two hour television interview with CBS, Mr Carter was polite but non-committal about the future of the Secretary of State. He said that the Ford Cabinet officials to whom he had talked had promised him their co-operation, including Dr. Kissinger, and that it was a "possibility" that he might be able to act "on an ad hoc basis" as a mediator on Africa or the Middle East. But any continuing role were "highly unlikely."

The President-elect went out of his way to stress his conviction that "international economic issues have been seriously neglected in the past few years" and that he intended to make sure that both the Secretary of the Treasury and the head of the National Security Council would be much more

concerned than in the recent past with international economics.

Mr. Carter said that he had learnt nothing which had shocked him in his post-election briefings with Dr. Kissinger and others.

But he said he was disappointed that a dispute inside the Ford Cabinet and the election had delayed progress on a new strategic arms agreement with the Soviet Union. "This is something that should have been solved months ago," he said.

He also noted that Dr. Kissinger had told him that the Soviet Union had never told a "flat lie" during negotiations.

On other matters, Mr. Carter said that it was "inevitable" that energy prices would rise sharply in the next few years and that energy conservation would therefore be an important priority of the new administration.

He said that he was not opposed to nuclear power plants, but that they should be more carefully regulated than hitherto.

Mr. Carter rejected his campaign pledge that he would encourage greater standardisation of NATO forces in the years ahead, said that he still intended to cut defence spending and professed himself to be happy with the current sale of

WASHINGTON, Nov. 30.

## Trudeau, Levesque to meet shortly

By VICTOR MACKIE

OTTAWA, Nov. 30.

Premier René Lévesque of Quebec and Prime Minister Pierre Trudeau will face each other at the negotiating table for the first time at a federal-provincial First Ministers conference in Ottawa on December 13 and 14. It will be the new Premier's first federal-provincial conference as the Quebec leader. He had asked that the proposed conference be postponed, but Alberta Premier Peter Lougheed said that he would be unable to attend a conference in January or early February.

The conference will be the first official occasion for the other nine provincial Premiers to meet Quebec's first independence Premier, Prime Minister Trudeau and Premier Lévesque.

Mr. Lévesque has already announced that his newly formed part Québécois Government will hold a brief pre-Christmas session of the Quebec assembly starting on December 14 to settle business left over by the former Liberal Government before the November 15 general election.

The Canadian constitution will be the main topic but federal provincial tax sharing arrangements will also be discussed at the meeting.

Prime Minister Trudeau has raised the possibility that the federal government might unilaterally bring the constitution home to Canada if it cannot reach agreement with the provincial governments on the terms of patriation.

Meanwhile in Calgary Premier Peter Lougheed voiced concern that Ottawa may become so concerned over Quebec that important matters affecting the welfare of the rest of Canada may be excluded from immediate consideration.

Many moderate Republicans are still afraid that Mr. Connally harbours presidential ambitions and that the party chairmanship would be a suitable vehicle in which to advance them. Although still considered one of the more articulate Republican spokesmen, his cause has not been helped by the fact that in the general election he failed to deliver Texas to President Ford or any congressional seats to the Republican Party, thus denting his vaunted reputation as one of the best vote getters in the party.

Thus, having denied reports that he is competing for the job, he then said he could accept it, providing he was given the full support of the Ford, Rockefeller and Reagan factions and provided he was permitted to retain his law firm in Texas.

While Mr. Connally periodically agrees with the propositions that the Republican Party must become more responsive, he is

WASHINGTON, Nov. 30.

along with Mr. Ronald Reagan and Mr. John Connally, lent some weight to the notion yesterday.

So, in a backhanded kind of way did Mr. Connally yesterday. The former Treasury Secretary and Democratic Governor of Texas seems to be playing a Machiavellian game, alternately giving the impression that he is not interested in the party chairmanship and the next moment implying that under certain circumstances he could be.

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## Call for Republicans to unite

BY JAMES MARTIN, U.S. EDITOR

SENATOR Robert Dole, one of the more divisive of recent vice-presidential candidates, today exhorted the Republican Party to "abandon ideological hairs" and start trying to win elections.

Addressing the Republicans' meeting here, Senator Dole called himself to a growing role of centrist Republicans, an opinion which has argued that the Party must appear more open and less elitist.

"I am more interested now in winning elections and surviving than I am in seeing our party fade into history proudly clinging to some narrow notion of ideological purity," Mr. Dole said.

Mr. Dole has supported a proposal whereby a committee of prominent Republicans is formed to help select a new party chairman next month. President Ford, whom Mr. Dole feels should serve on this committee

also capable of continuing to advocate controversial policies. He told the Congress, for example, that a major Republican goal should be to end the "unholy alliance" between Congress and the federal bureaucracy by means of a constitutional amendment limiting senators and congressmen to eight year terms in office.

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While Mr. Connally periodically agrees with the propositions that the Republican Party must become more responsive, he is

## Warm thanks to East Germany

By Leslie Collett

BERLIN, Nov. 30.

WEST GERMANY to-day proudly displayed a letter from U.S. President-elect Jimmy Carter in which he warmly thanks East German Communist Party leader Erich Honecker for his "enormous" message of "warm and friendly" congratulations on Mr. Carter's election.

The West German newspaper, Der Spiegel, has reported that both the East and West German leaders received an identical text from Mr. Carter which has been denied by the West German Government, Berlin however, is not releasing its letter from Mr. Carter.

In the letter to the East German Party chief and head of state Mr. Carter says: "I look forward to working with you to strengthen the ties of friendship between our countries."

The governing Mayor of West Berlin, Horst Klink Schütz, received positive greeting thanking him from Mr. Carter. He said one of the two countries work together during his presidency.

## Jamaica campaign opens

BY CANUTE JAMES

KINGSTON, Nov. 30.

PARTY political campaigning there are no independents. The JLP is expected to publish its election manifesto on Sunday, yesterday when 120 candidates outlining its philosophy of nationalism. The ENP has been nominated to contest the national election. The ENP has already published its manifesto on democratic socialism.

The candidates have been put forward by the island's two major parties, the ruling People's National Party (PNP) and the opposition Jamaica Labour Party (JLP). There are no candidates from the smaller parties, and reported.

## ICI subsidiary in oil venture

BY STEWART FLEMING

NEW YORK, Nov. 30.

A U.S. subsidiary of Imperial Chemical Industries — ICI America — has announced that it has bought participation in oil drilling operations in the Gulf of Mexico, off Mississippi, Louisiana and Texas.

The company said that it has bought an interest in 43 oil and gas leases and that one of its partners is Standard Oil of California (Chevron).

ICI is not disclosing how much it has paid for its participation in the deal.

## AMERICAN ARMS SALES

# A growing commitment

BY A SPECIAL CORRESPONDENT

THE U.S. is ceasing to be the "parasite of democracy," Vice-President-elect Mondale said recently. Mr. Jimmy Carter has announced he makes life more difficult for would-be buyers of arms from the U.S. after he moves into the White House next January, and Congress seems to be in the same mood.

They are likely to find, however, that it is much harder to fight the general trend to higher arms sales than it was to veto particular sales to doubtful countries, which is all Congress has attempted in the past. For American arms exports used to be mainly a political tool. Now they mean real money and real jobs.

What Mr. Carter was actually talking about was arms sales to the Third World — nobody seriously objects to American arms sales within Nato, with the possible exception of Turkey — and there certainly is cause for concern. The share of world arms expenditure borne by the Third World has risen from 8 per cent to 22 per cent over the past two decades. Some poorer countries, such as Egypt, have added considerably to their balance of payments problems because of the cost of buying arms, while some rich ones, like Iran and Saudi Arabia, are building immense armed forces for which reasonable justifications are hard to find.

Almost all the Third World's major weapons are imported and over four-fifths of those imports come from the big four arms producers: America, Russia, France and Britain. U.S. sales alone have accounted for nearly half this volume in the last few years. It would make a big difference if Mr. Carter could regime. After being Israel's governed by political consider-

appreciably reduce that flow of weaponry, but the obstacles he faces are immense.

For many years now, France and Britain have sold arms mainly for commercial and industrial reasons. The money is nice to have, but even more important large export sales mean longer production runs, lower unit costs, and steadier employment for skilled work forces.

Thus an average of 30 per cent of British and French arms have been produced for export — in some years the ratio has risen above 50 per cent for the French military aircraft industry — and the two countries can thereby afford largely independent easy credit terms.

## The old American ability to turn off the flow of arms as a purely political and strategic decision no longer exists.

defence industries that would otherwise be out of the question. Both governments have instructed their armed forces at one time or another to take export potential into consideration when choosing new military equipment. Britain will sell arms to most people outside the Soviet bloc which have the money, and France takes care of the rest. When Britain imposed an arms embargo on South Africa in 1974, for example, France stepped in and assumed Pretoria's main supplier ever since. Although it has since also imposed a limited embargo.

Paris did the same in Greece when the U.S. imposed a selective embargo during the colonel's year, and were almost totally going to find it very hard to get foreign arms sales too.

After the Soviet Union entered the world arms trade in 1955 there was an erosion of the restraints the U.S. had previously put on arms sales to the Third World. During the 1960s, under the threat of Russian competition, American arms sales gradually spread to new areas, such as Morocco, and existing restrictions on the sale of technically advanced weapons were lifted, as in the case of Iran.

After the French embargo in 1967, the U.S. also assumed a large commitment to supply arms to Jerusalem. But as recently as five years ago U.S. arms sales to the Third World were running at about \$500m. a year, and were almost totally going to find it very hard to get foreign arms sales too.

## WORLD TRADE NEWS

# EEC declares three month truce on Japan dispute

BY ROBIN REEVES

OTTAWA, Nov. 30.

THE HAGUE, Nov. 30.

TOKYO, Nov. 30.

PARIS, Nov. 30.

MOSCOW, Nov. 30.

BRUSSELS, Nov. 30.

LONDON, Nov. 30.

BRAZIL, Nov. 30.

VIENNA, Nov. 30.

BERLIN, Nov. 30.

OSLO, Nov. 30.

MOSCOW, Nov. 30.

PARIS, Nov. 30.

LONDON, Nov. 30.

OSLO, Nov. 30.

VIENNA, Nov. 30.

OSLO, Nov. 30.

## OVERSEAS NEWS

# Miki may be forced into coalition say opinion polls

By CHARLES SMITH, FAR EAST EDITOR

JAPAN'S three major daily support of additional independent newspapers have published or are about to publish the results of public opinion polls indicating a serious setback for the ruling Liberal Democratic Party in next Sunday's general election.

Of the two polls already published, the most pessimistic for the LDP is that by Mainichi Shimbun which suggests that the Democrats need to win at least 271 seats in the Diet to control not only the plenary sessions of the Lower House but also the



THE JAPANESE ELECTIONS

main Diet committees. Failure to win 271 seats would oblige the LDP to seek co-operation from at least one of the opposition parties on some of the Diet committees.

The LDP's strength in the present 491-seat Lower House of the Diet is 265 seats giving it a comfortable majority." But the split up of urban constituencies where voters have been under-represented has added 20 seats to this election.

The LDP's poor showing in the election campaign so far, can be put down partly to the impact of the Lockheed affair on the party's image and partly to what appears to be a severe shortage of campaign funds. The three Liberal Democratic politicians arrested last summer on charges of accepting Lockheed bribes are running in the election as "independents," at least one of them so by other LDP leaders who with overt support from the party organisation. And several

even if the most pessimistic of the three forecasts is right, the LDP will remain easily the largest party in the Japanese Diet and thus, almost inevitably, the core of any government to be formed after the election. But the party will consider its performance extremely bad if it emerges with even the 259 seats provisionally forecast by Asahi and the party.

## Japan bank deposit rule delay

By DOUGLAS RAMSEY

THE BANK OF Japan is preparing a plan to introduce a reserve deposit requirement on all foreign currency liabilities of commercial banks operating in Japan, according to informed sources here. However, formal decision to proceed with the plan, which may impose a 3 per cent. deposit requirement on all foreign liabilities, is not likely until January.

Commercial banks have been warned of the pending legislation, which the Bank of Japan wants in order to keep closer watch on over-lending and to add to its arsenal of liquidity controls inside Japan. The original Reserve Requirement Act was amended in 1973 to permit this sort of deposit on foreign liabilities, subject to a decision to proceed immediately. The Bank of Japan's decision as to what constitutes such liabilities on November 16, the Bank published the rules designating all Japan, those reasons include an external liability in foreign expectation that a reserve ratio of 3 per cent. will complicate the terms and size of their lending overseas.

Details of the reserve ratio cent. of Japan's imports are not been finalised, but are denominated in currencies other than the yen. Such a move would be seen as impeding the flow of imports at a time when Japan is being urged, especially by Europe, to do the opposite.

Another reason for the postponement is that the Bank of Japan wants a further mechanism with which to control liquidity. But introducing a reserve ratio would tighten the money supply at a time when economic recovery is stalled, and the Ministry of Finance is calling for measures for easier credit.

"We have the legal basis to introduce a reserve ratio, but now is not the opportune time," the source said, adding that the procedure completed on November 16 was meant as a "warning" to give banks time to ask questions about the mechanism. The banking sector itself is dubious about the Bank of Japan's motives. Bankers feel that there are already enough mechanisms with which to control liquidity, and they suspect that the real motive is to control the terms and size of their lending overseas.

## PAPUA NEW GUINEA'S FIRST PLAN

# Focus on villages

By COLLEEN RYAN IN PORT MORESBY

PAPUA New Guinea, in its first attempt at formal long-term planning since independence, has chosen to concentrate on rural development in keeping with its ideal of development from the village level, retaining the traditional communal base. The five year National Expenditure Plan, to begin in 1978, is based on the assumption that self-employment is the only way that most of the workforce will be able to earn a living.

With one of the highest rates of population growth in the world (currently 3 per cent) of a heavily bureaucratic structure, lightened a little since 1964, the Government will give highest priority to maintenance of sub-

sided services through the up 80 per cent. of Government spending, but still far too heavy for its present stage of development.

The Government is now trying to reduce its dependence on outside help, both by promoting a few large projects for the exploitation of natural resources such as the Bougainville Copper project, and by encouraging private investment. After Kennedy Tedi copper withdrawal last year from talks on exploring the Ok Tedi copper deposits in western Papua, Broken Hill Proprietary has recently reached an agreement with the Government to allow for further exploration with the possibility of production.

Prime Minister Michael Somare, in his statement before independence, said: "The social ideal which I and many of my countrymen have, differs dramatically from the actuality of urbanised society. I start from the premise that for the foreseeable future, Papua New Guinea should remain primarily a rural country, live in villages, and want to encourage private sector industry as well both in the processing of raw materials and

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## HOME NEWS

## Commission rejects gambling levy to aid sport

BY MICHAEL THOMPSON-NOEL

FURTHER AID for sport from shown that 37 per cent. of the gambling revenues has been adult population would at some time being by the Royal Commission on Gambling. Its interim report, published yesterday, rejects the idea of a general levy on gambling, or a tax on football pools prize winners, to boost

The Commission said that it would return to the Commission next year, expected late next year.

The Commission, headed by Lord Rothschild, was set up by the Ministry to review the gambling industry.

Yesterday's report, concerned on the football pools as a source of raising extra money for sport, and temporary excluded the possibility of lotteries.

It rejected the idea of a special levy on the Pools Promoters' Association and said that investigation "did not disclose any evidence of inefficiency or extravagance in the running of the business, nor suggest that profits were exceptionally high."

### Opposed

The report implies that the financial management of Football League clubs is not what it should be, and Lord Rothschild said later that the finances of most clubs were probably not as precarious as usually thought.

The Commission said it would be difficult to justify applying the proceeds of a pools levy to anything other than football, and said that the PPA was firmly opposed to a levy.

"They regard their payment of £1m. a year to the Football League and the Football Association and the £800,000 to the Football Grounds Improvement Fund as their voluntary contribution to sport,"

"It would be that they would be willing to make further, relatively small, contributions. This is a matter which we hope to explore further."

A recent Gallup Poll had badminton.

### Special sports issue of stamps

SPORTS which originated in Britain are the subjects of four special stamps which will be issued by the Post Office on January 12.

The stamps will show lawn tennis, table tennis, squash and badminton.

## BP subsidiary to spend £145m. on new cracker

BY RHYD DAVID CHEMICALS CORRESPONDENT

BRITISH Petroleum's Dutch subsidiary, Rafinaderij Nederland, will spend £1600m. (£145m.) on a new catalytic cracker for oil refining at its Europoort refinery, in Rotterdam.

The plant, which is due for completion in the fourth quarter of 1979, will have a capacity of 40,000 barrels a day but is not intended to increase overall capacity at the refinery.

The cracker will enable BP to offer a different product mix from the refinery, concentrating more on products for which demand is expected to grow most strongly.

At present Europe's oil refineries are running at about 70 per cent. capacity, largely as a result of greatly reduced demand for heavy fuel oils.

The P.P.A. contends that pools turnover is sensitive to any fall in the size and number of prizes and that the prize fund has already fallen to a dangerously low level, mainly because of increased pools tax.

Any attempt to extract further money from the pools promoters, they maintain, would create a self-accelerating trend towards reduced turnover and smaller prizes.

The general reaction to the interim report is that it is notable only for its negativity. Mr. Ted Coker, secretary of the Football Association, said yesterday: "I can't believe it."

He could not comment fully until he had read the report, but its suggestion that no extra money should be raised for soccer from gambling left him "staggered."

But even if he had finished, Attikka's chances of winning were almost nil. After engine trouble on Monday, an all-night sitting of rally officials declared him one minute past maximum latency when arriving at Weston-super-Mare. He was allowed to continue while his protest was being considered.

Clark led into Bath a field of only 75 out of 200 starters after the crews had experienced some of the worst weather in recent years.

There were two night of sales, driving rain and snow, declassifying the entries as competitors battled through 370 miles of forest and mountain terrain in England and Wales.

Clark's victory provides an unprecedented fifth win in a row for Ford. Clark won in 1972, but for the next three years the event was dominated by the "flying Finn" Timo Mäkinen.

Mäkinen's own bid for a record

four successive wins, on his last drive for Ford in an association lasting nearly a decade, was cut short by a 100-miles-an-hour roll

on only the second of the Rally's 76 special stages.

The works Saab of Stig Blomqvist, the experienced Swede, was second, four minutes behind; and the Escort RS1600 of Björn Waldegård, another Swede, third.

With Irishman Billy Coleman in yet another, very badly battered Escort in fifth place, Ford has beaten off major challengers by top teams from Fiat, Saab and Opel.

The lone, wedge-shaped Lancia have achieved.

Stratos of Sandro Munari-Lancia has already won the Manufacturers' World Championship—was fourth, 54 seconds behind Waldegård.

Leyland officials were delighted that the surviving Triumph TR7 of team captain Brian Culcheth, which had been running all day with only three of its five gears working, finished in ninth place overall. Culcheth's team-mate, Tony Pond, who at one stage had surprised the entire rally by forcing his red, white and blue sports car into second place, had to retire with suspension problems deep in Wales.

But Pond said yesterday that considering the TR7 was still in its early stages of rally development, its potential for next season was great. "Before we set out we said we wanted the entire rally to cause a stir in the forests... and that is what we have achieved."

SAAB'S Roger Clark last night won the Lombard RAC Rally in his works Ford Escort RS1600 after a dramatic final day.

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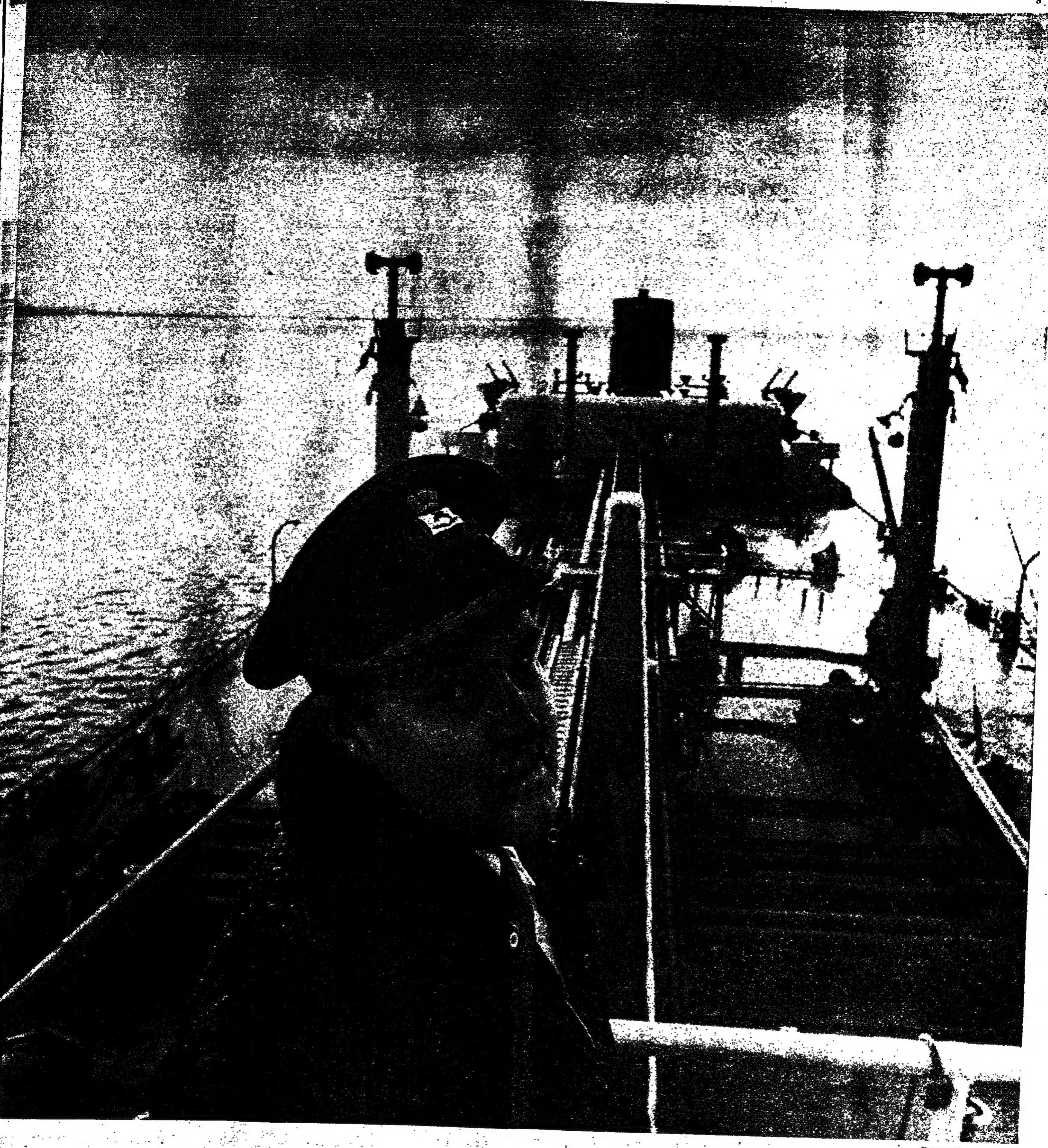
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Union  
plan  
by Stat  
Board  
chiefs

BY ROY HODSON

REVIEWED  
BY ROY HODSON

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Photograph, Gus Wyllie

## David Anderson: "at home" in the North Sea.

For most people, the North Sea is not the most inviting stretch of water in the world. But Captain Anderson grew up in the Shetland Islands. It's home to him. So is a tanker like the one you see him on here.

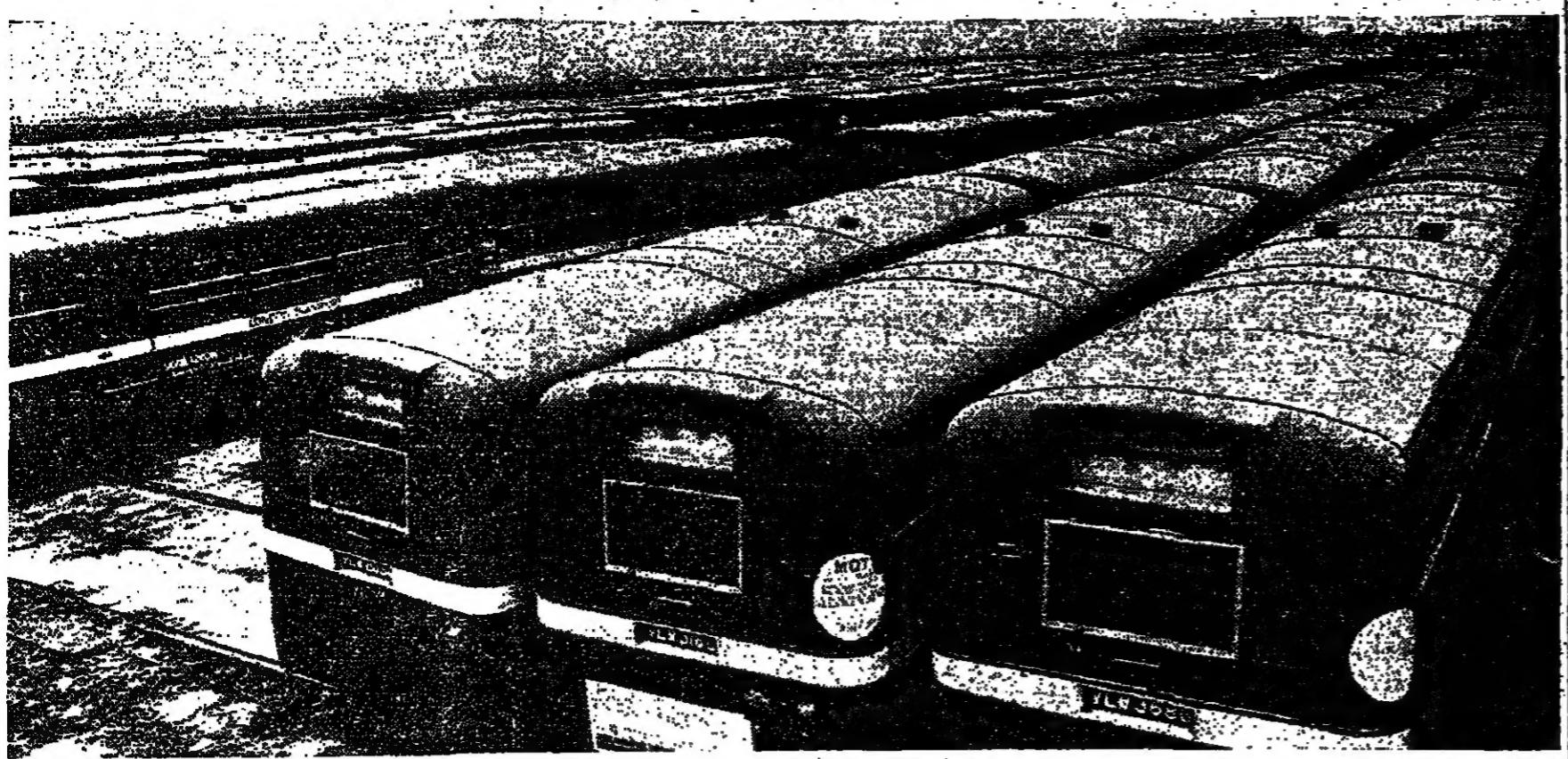
David Anderson has been on tankers since the end of the second World War. He's served as a Mobil master for more than 16 years. He has sailed all over the world; but the trips he's making now in his home waters are among the most important of his long seagoing career.

The captain's current assignment is to bring North Sea oil from the Beryl A platform, about 100 miles southeast of his own Shetland Islands, to British ports. These shipments from Beryl A began this autumn. When all the wells have been drilled and everything is humming along at peak rates, Captain Anderson's tankers will be delivering about 5% of Britain's oil needs. That's a sizeable amount. And together with all the other oil coming in from North Sea fields, it represents a very

promising start on petroleum self-sufficiency for this country.

Some of the oil will come in by pipeline, but a good share will be carried on tankers like Captain Anderson's. Whichever way it arrives, it will be welcome, we know. We're happy to play a part in North Sea production, and glad we have skilled professionals like David Anderson to bring the oil home.

**Mobil**



## Tennis prize money goes up

By John Barrett

**THE HAPPIEST PEOPLE** at next year's centenary at Wimbledon will be the players. The All-England Club is to add £59,494 in prize money at the 1977 Championships, making a total of £183,855. Less happy will be the customer at the turnstiles, who will find ticket prices about 10 per cent dearer.

Sir Brian Burnett, chairman of the All England Club and of the joint championship committee, said in London yesterday that women would still average 80 per cent of the men's prizes as they did last year.

With the approval of the Women's Tennis Association, whose threat to boycott next year's meeting has evaporated, the differentials have been narrowed at the top and widened at the bottom.

Thus the lady champion's £13,500 will be 90 per cent of the £15,000 men's prize, and the £10 to be given the women who do best in the first round three-quarters of the men's £200.

### Extra funds

The 128 men will divide £116,850 next year, against £97,850 last time, and the 98 women £17,490.

Next year's prize money increases will be met from the extra funds created by selling the concessionary rights to the companies supplying goods and services to the championships. After two years, the fund is to ensure providing a healthy six-figure sum annually.

The extra spending associated with the centenary celebrations will be met by a 10 per cent increase in ticket prices.

A centre court seat next year will cost £450 against £440 this year, and a No. 1 court seat £250 (£270). A daily grand-slam ticket will remain £1000 after 5 p.m. (probably the last bargain at any major sporting occasion).

The customers will notice several improvements on the ground. Besides a complete resurfacing and refurbishing of the buildings, the site of the public tea room will be doubled by extending into Ariane Park, the neighbouring ground which the New Zealanders rent from the Mid-England Club.

### Solvents up

Estimated has increased the prices of all its grades of Aliphatic solvents, by 3p an litre per gallon. The increase, according to a grade of solvent, ranges from 5 per cent to 10 per cent.

The company blames the increases on the continued rise in costs in recent months.

## Scientific intolerance 'in the U.K.'

By David Fishlock, SCIENCE EDITOR

**A WARNING** that even Britain was not free from intolerance towards scientists who presented results at variance with politically preconceived notions was given by Lord Todd, President of the Royal Society, in his annual address in London last night.

Lord Todd was responding to those who had urged that the Royal Society should publicly associate itself with protests to governments accused of persecuting individual scientists.

The temptation to support and control science in the interest of national political aims had grown apace. Tolerance and freedom from persecution could no longer be taken for granted.

Lord Todd, speaking on freedom in science, condemned the decision of Unesco to withhold financial support from any scientific meeting which allowed participation by scientists whose governments were unpopular with the majority of its members.

"There is something which is, in my view, totally contrary to the spirit of the United Nations and is a threat to the freedom of science which should be resisted by every scientist, whatever his nationality."

## Homes setback underlines fears for next year

By Michael Cassell, BUILDING CORRESPONDENT

**THE HOUSE BUILDING** programme suffered its worst setback for more than 18 months in October. Work on houses by both the public and private sectors fell dramatically and it failed to confirm the industry's fears that next year could be one of the worst on record.

Provisional estimates prepared by the Department of the Environment suggest that work on fewer houses in October than in any month since March 1975. Completions, though not quite so disappointing, also fell.

House builders have been saying for months that the continuing recession in the housing sector seems set to grow even worse as mortgage funds become more restricted and public expenditure cuts reduce the local authority house building programme.

According to the housing sector the number of private homes on which work will start next year could fall to about 120,000 or less from an estimated 180,000 this year. Council housing starts this year should reach about 170,000. The total will certainly be lower next year.

This year the number of private houses completed is likely to be about 150,000, a repeat of last year. Council in October house renovation grants this year are grants for 32,400 homes were safety requirements:

### Renovation

The department calculates that, taking three month totals to reduce the effect of monthly fluctuations, total housing starts in the August-October period were 11 per cent down on the preceding quarter and also 11 per cent lower than a year earlier.

Total completions, however, were 2 per cent higher than in the previous three months but 2 per cent lower than in the same period last year.

In the three months ending October house renovation grants this year are grants for 32,400 homes were safety requirements:

## More foreign students seek British university places

By Michael Dixon, EDUCATION CORRESPONDENT

**FOREIGN CANDIDATES** for per capita cost of the courses have their tuition fees paid out by British universities' undergraduate courses next year seem often more than £4,000 of a their parents' income, likely to increase by about 10 per year.

The council also suggested that British candidates for the university bachelors-level courses were up by nearly 10 per cent on November 15.

On that date the tuition fee charged on behalf of British undergraduates was scheduled to rise next year to £650. The Government announced on November 25 that the increase was being modified to £500.

### Significant

Tuition fees levels could not be expected to have any significant effect on home demand for the courses, because where the bulk of British undergraduates are concerned the fee adjustments represent book-keeping transactions between Central Government and the University Grants Committee and local education authorities.

The council said that judged by the position on November 15, when nearly half the expected applications had been made, the final number of foreign candidates is likely to be about 2,000, more than the 20,500 who applied for this year's bachelors-level university courses of whom 8,078 were admitted.

Foreign students are funded by overseas aid programmes, large numbers of foreign candidates are evidently undeterred by the prospect of meeting a rise in their average tuition fees from the present £2416 to £650.

The £650 figure, nevertheless, is only a fraction of the average

Such "flagrant examples of entering higher education in all results obtained in the search for new drugs.

Standards of living could not be maintained except through science—through the application of the scientific method and the results of scientific research to practical ends, or, if you will, through technology and technological innovation." This was true of environmental as of industrial problems.

"The real reason for most of our troubles lies not in science but in our social and political ineptitude when it comes to realising the potential of the advances which science has made and continues to make."

As a result, we live in a turbulent and unhappy world, with deep divisions between nations, which had inevitably led to increasing secrecy and mutual suspicion.

Science had always been the enemy of scientific progress; but it was "manifestly absurd in the imperfect world in which we live to appeal for the total abolition of secrecy and for the free and unrestricted circulation of all new knowledge."

One could hardly envisage abandoning all-secrecy in defence research, or the free publication of pure science was kept free from secrecy.

These 200 London Transport buses in storage at Radlett aerodrome, near St. Albans, are looking for an overseas buyer.

Bought in the late 1960s, they have been retired after only eight years' service because they were unreliable and at 36 feet, too long for many London routes.

London Transport has already found buyers for 100 of the AEC Merlin ME buses and scrapped another 100. It awaits the purchase of red elephants on the grounds that when one-man bus operation first became feasible, the Merlin was the only suitable single-deck vehicle that could be supplied in sufficient numbers.

The Government at that time would not allow double-deckers to be used on one-man routes.

Cement deliveries in October in the U.K. averaged 289,000 tonnes a week against 305,000 in September. Production fell from 314,000 tonnes a week in September to 299,000 tonnes.

• Michael Dixon, Education Correspondent writes: The safety record of the construction industry was criticised by Mr. John Golding, Parliamentary Under-Secretary for Employment, yesterday during a visit to the Construction Industry Training Board's centre at Bircham Newton, Norfolk.

He said that he was shocked to learn that deaths had increased by 20 last year to 181, and reported accidents by 3,000 to 35,000. This alone justified the emphasis which the Board's training programmes placed on

changes urged in Army methods

By Michael Donne, Defence Correspondent

A REVIEW was recommended yesterday of the Army's methods of arranging soldiers' tours of duty with the aim of reducing the amount of upheaval, which troops and their families have to bear each time a posting comes around.

The recommendation is in the report of the Army Welfare Inquiry Committee, set up by the Government under the chairmanship of Professor J. C. Spencer.

To study ways of easing the social and domestic difficulties of soldiers arising from the existing methods of running the Army.

The report, which has 72 recommendations, suggest that an average posting of three years' duration would reduce much of the upheaval in a soldier's life.

Report of the Army Welfare Inquiry Committee, 1976. S.O. 52.

## Full health cover for Spain trips

By Eric Short

BRITISH TOURISTS to Spain will be able to take out complete medical aid and travel insurance under a contract, Inter-Span, developed by Trafalgar Insurance Company, a member of the Cornhill Group, and ASTES, a consortium of nearly 100 Spanish insurers sponsored by the Spanish Government.

The policy provides the usual standard travel insurance benefits such as loss or damage to luggage, loss or theft of currency and cancellation of holiday. It covers unlimited medical aid, regardless of financial limit and age while in Spain. This is available from any Spanish doctor, hospital or sanatorium.

Payout for medical treatment is in vouchers issued by the consortium and included in the travel insurance document.

They are acceptable by almost all doctors and medical establishments in Spain, but if the holidaymaker cannot get them accepted as payment, he can claim a refund from the nearest ASTES branch. These are in the provincial capitals.

## Electricity goes up on Jan. 1

By Roy Hodson

ELECTRICITY PRICES will rise by an average of just under 1 per cent on January 1.

Daytime electricity goes up to 2.3p a unit and night electricity rates by 1.75 per cent above present levels.

The increases result from the usual quarterly fuel cost adjustment by the electricity industry, formally approved by the Price Commission.

The Electricity Council said earlier this year that fuel adjustments amounting to retail price rises for electricity of approximately 2 per cent were to be expected in 1976-77. A 1 per cent increase was made in this quarter.

## Union proposes takeover of phone manufacturers

By CHRISTIAN TYLER, LABOUR STAFF

STATE CONTROL of the British telecommunications manufacturing industry through the National Enterprise Board is proposed to-day by the Association of Scientific, Technical and Managerial Staffs.

ASTMS, with 20,000 members in the industry, says the telecommunications divisions of the main UK manufacturers should be put together to form a State-controlled company which it would call British Telecommunications.

A policy document being sent

to Ministers, MPs and manufacturers suggests that the Post Office's monopoly in telecommunications ordering has stifled innovation and development among the main manufacturers, GEC, Plessey and Standard Telephones and Cables, the British subsidiary of the U.S.

multinational ITT. ASTMS vice-president and Labour MP for Nelson and Colne said the manufacturers might now be prepared to consider his union's proposal.

The background to the ASTMS proposal is that in Post Office equipment ordering could mean the loss of 15,000 jobs by the end of 1978 on top of declared redundancies of 10,000 since last autumn.

The unions say that two-thirds of the 75,000 jobs in the industry could be maintained if its policy is adopted. But it says a move must be made soon if Britain is not to lag behind in telecommunications technology and in particular to compete with the Swedish AXE and U.S. Metcalf's over its members' jobs.

## Civil Service leaders outline industrial democracy plans

BY OUR LABOUR STAFF

LEADERS OF the main Civil Service unions yesterday put the finishing touches to their draft plans for industrial democracy in their service through the existing Whitley Council machinery.

But their draft proposals have already been privately criticised by some union officials for not going far enough to achieve industrial democracy.

The national executive of the Institution of Professional Civil Servants, representing senior grades, is among the first of the union executives to consider the proposals.

Although the 26-strong executive endorsed the draft, it was only after Mr. Bill McCall, IPCS general secretary and one of the

architects of the draft, persuaded his colleagues on the need for endorsement as their industrial democracy.

Other union executives are to refine the draft, prepared jointly by debate, before the final draft is submitted to the Whitley Council machinery to go to the Treasury inquiry.

But their draft proposals have already been privately criticised by some union officials for not going far enough to achieve industrial democracy.

The national executive of the Institution of Professional Civil Servants, representing senior grades, is among the first of the union executives to consider the proposals.

It is a more positive commitment to representation on management committees which has already agreed procedures.

But it also calls for some experiment in giving the unions a greater say on the management of their service, a day to consider the terms of a working party set up to develop their concern over manpower cuts, which has led to a ban on overtime.

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# Definitive draft plans published

AFTER ALMOST 30 years of debate, the accountancy profession to-day publishes draft definitive proposals on accounting for inflation. The proposals, in a document known as Exposure Draft 18, or ED 18, have been prepared by a steering group chaired by Mr. Douglas Morpeth and are essentially based on the report of the official Sandilands Committee of Inquiry, published in September, 1975.

The Government announced yesterday that it is supporting the implementation of the new system.

Comments on the proposals must be made to the Accounting Standards Committee by May 30, 1977. A definitive statement of standard accounting practice is expected to be published on January 31, 1978, for implementation in company accounts in four stages, starting with the largest organisations, for accounting periods beginning after July 1, 1978.

ED 18 is a compromise between the Sandilands recommendations and the accountancy profession's earlier preference for the current purchasing power method of accounting for inflation. ED 18 is put forward as a first step only in the development of a system of current cost accounting and further refinements are expected over the next five years.

## Steering group's brief guide

### Object of this Guide

The object of this Guide is to provide businessmen and others with a brief, quickly readable guide to the main points in the Exposure Draft on Current Cost Accounting (CCA), to which reference should be made for details.

### A Need for CCA

The continuing and high rate of inflation in the U.K. has caused accountants prepared on the basis of historical cost, less and less capable of conveying a true and fair view of a company's current financial position. This has so reduced the usefulness of such accounts to management, investors, employees and others that a major change in accounting practice has become necessary.

Historical cost accounts have always suffered from the failure to show the impact of changing price levels, but in recent years the rate of inflation has made it essential to remedy this defect.

The nature of the necessary change has been debated within the accounting profession for many years and a number of solutions have been put forward.

However, the recommendations in the Sandilands Committee's report for the introduction of a system of CCA were broadly accepted by the Government and the Consultative Committee of Accountancy Bodies last year, and the Exposure Draft is based on these recommendations.

### Management's Needs

Management needs up-to-date information on true costs, and values for the proper running of a business. The system of current cost accounting described in the Exposure Draft will help to provide such information in the management accounts of companies and in their published annual accounts.

If more realistic information is to be available to management than is provided by historical cost accounts, the change to current cost accounting needs to be made at the management accounting level.

It would not be adequate merely to provide adjustments to an historical cost system once a year in the annual accounts.

### New scheme has five major advantages

As long as industry uses historical costs for management accounts, it may unknowingly understate with dangerous consequences for the business. It is essential that industry uses consistently for its estimates of cost.

(a) Depreciation calculated on plant and machinery—in most cases this will be replacement cost.

(b) The estimated cost at the date of sale of materials consumed.

These CCA conventions should be used at the earliest possible date in compiling all management control figures, including monthly Profit and Loss Accounts, even although industry may not at present be able to reflect fully its current costs in the price it obtains, because of the effects of market forces and of the Price Commission.

### Essence of CCA

The essence of the CCA system is simple: in arriving at profit, the charge against income for stocks consumed and fixed assets used is based on current replacement costs and not on out-of-date and irrelevant historical costs.

Similarly, the Balance Sheet shows up-to-date values in place of historical costs.

If it is as simple as that, it may be asked, why is the Exposure Draft so long? The answer is that it was decided that it would be more helpful to companies if it dealt with as many as possible of the known problems of implementing CCA.

It should be appreciated, however, that relatively few companies are likely to meet all of the problems in any one year. Much of the Exposure Draft is concerned with putting flesh on the simple framework of the system just described.

8. Interim Solutions

The Steering Group, however, is conscious that there are a

### STATEMENT OF CHANGE IN SHAREHOLDERS' NET EQUITY INTEREST AFTER ALLOWING FOR THE CHANGE IN THE VALUE OF MONEY

Net equity interest at beginning of year .....

Net equity capital introduced during the year .....

Amount required to compensate for the change in the value of money during year .....

Net equity interest at end of year before dividends on equity capital .....

Gain/(loss) for year after allowing for the change in the value of money .....

Dividends on equity capital for year .....

Gain/(loss) for year after allowing for the change in the value of money and after dividends .....

### ANALYSIS OF THE GAIN/(LOSS) ON MONETARY ASSETS AND LIABILITIES AFTER ALLOWING FOR THE CHANGE IN THE VALUE OF MONEY

Long-term liabilities .....

Bank overdrafts .....

Non-equity share capital .....

Other .....

Total gain or loss .....

The allowance for the change in the value of money was made by applying the general index of retail prices, based on January 1974 = 100. At 1.1.1977 the index stood at 21, and on 31.12.1977 .....



Sir William Slimmings, chairman of the Accounting Standards Committee (left), Mr. D. S. Morpeth, chairman of the Inflation Accounting Steering Group and Mr. C. A. Westwick, secretary of the steering group secretariat.

Part of the problem is a lack of consensus on what is the substance of the business (is it the physical assets, or all the assets, or the long term capital, or the owners' capital, etc.) and whether it should be maintained in money or real terms.

It is considered, however, that the suggested treatment (namely a statement of the change in the

number of areas where it has been able to put forward only an interim solution which almost certainly requires modification in the light of experience.

The Steering Group believes that it is more important to produce, as a matter of urgency, a reasonably comprehensive En-

tirement to its interim proposals in this is so, then this is part of tries are developing inflation accounting systems. The United Kingdom is among the leaders in this field, but is developing a period of rapidly changing conditions.

It will be appreciated that historical cost accounting also contains a degree of subjectivity, particularly in the area of depreciation.

Moreover, the amount of subjectivity in CCA should not be exaggerated. With the possible exception of the transfers to or from revaluation reserves, the figures in the accounts will normally be backed by evidence on which both management and auditors can base their judgement.

There was a choice between phasing by item in the accounts or by size of company. The Steering Group chose the latter because the former had two major disadvantages:

(a) The most important adjustments which would require to be phased-in first (depreciation and cost of sales) probably involve the greatest part of the work;

(b) The resulting accounts would have been produced on a mixture of conventions and could hardly be described as true or fair.

Another possibility would be to introduce CCA by means of a supplementary statement. This was rejected because such statements would cause confusion as to which figures were considered to be the right ones.

It should be noted that no starting date has yet been set for the mandatory use of CCA by small companies. It is intended to develop an appropriate method of CCA for such companies in the light of the experience gained during the first years of operating CCA by other companies.

8. Balancing three requirements

(a) The need for more useful information;

(b) The need to minimise the extra work required to produce the information; and

(c) The need to minimise the opportunity for misleading manipulation of the figures.

The Steering Group believes that it has got the balance about right, and this view is supported by initial reactions from the companies which have appraised the Steering Group's proposals. None of these the group would particularly welcome comments on this point.

9. Auditing

It has been argued that CCA will increase the degree of subjectivity in annual accounts. If

Auditing Practices Committee former and will be with the throughout the production of the latter when appropriate.

Exposure Draft also has endeavoured to meet as much as possible of the points raised. It is discussed with the appropriate audit difficulties under CCA will for the retention of historical cost records within the EEC.

The legal implications of the introduction of CCA are being early in 1977 setting out some of the principal problem areas and recommending ways in which they should be approached.

The Steering Group has already modified its proposals ready to receive comments and will

10. The overseas dimension

Many major industrial count do so again, if necessary, after

## THE REPORTS ISSUED TODAY

Exposure Draft ED 18: Current Cost Accounting £1.20  
Guidance Manual on Current Cost Accounting £5.25  
(£6.25 from Dec. 10)  
Background Papers to the Exposure Draft on Current Cost Accounting £3.95

All available from the Institute of Chartered Accountants, Chartered Accountants Hall, P.O. Box 432, Moorgate Place, London EC2P 2BS.  
TO BE PUBLISHED EARLY IN 1977  
An Audit Guide to Current Cost Accounting

studying the comments received during the exposure period when preparing proposals for a Statement of Standard Accounting Practice for consideration by the ASB.

It is appreciated that some organisations and companies in certain industries may need to modify the application of the Exposure Draft in order to give a true and fair view.

The Inflation Accounting Steering Group will give full consideration to requests for modifications from the relevant Trade Associations and similar bodies.

### Scope of Proposed Standard

It is the intention that the accounting Standard, which will be produced from the Exposure Draft should apply in due course to all financial accounts intended to give a true and fair view of financial position and profit or loss but, in order to spread the workload on those concerned in its introduction, it has been decided to divide the introduction into four phases.

## Basic principles of the System

### 14. Contents of Current Cost Annual Accounts

Under CCA, a company's annual accounts will include:

(a) A profit and loss account;

(b) An appropriation account;

(c) A balance sheet;

(d) A statement of the change in the net equity interest after allowing for the change in the value of money, prepared and presented on the bases set out in the Exposure Draft and described briefly below. Companies within the scope of SSAP 10 will also include a Statement of Source and Application of Funds.

### 15. Basic Principles of Current Cost Accounting

The basic principles of the system are:

(a) The non-monetary assets of the business should be shown in the balance-sheet at their value to the business at the balance-sheet date.

Value to the business will normally be replacement cost but in exceptional circumstances could be the higher of net realisable value and economic value (present discounted value) if both are lower than replacement cost.

(b) Revenue should be charged with the depreciation of fixed assets calculated on their value to the business, and with the cost of stocks consumed valued at their replacement cost at the date of sale.

(c) Revaluation surpluses are

**Continued on Page 12, column 4**

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## Current Cost Accounting - 2

**Mixed reaction**

THE PROPOSALS have received a mixed reaction, as was expected because of their compromise nature following the CCA recommendations of the Sandlands Committee and the accounting profession's own Current Purchasing Power method proposals for coping with inflation.

But the overall concept of current cost accounting has received broad support, even though some doubts have been expressed about certain technical areas, and in particular the question of monetary items.

**Accountants see technicalities**

THE ACCOUNTANCY profession was in broad support of the exposure draft, but also drew attention to a number of technicalities which need to be looked at in further depth. Two firms were particularly concerned about the complexity of the proposals.

Mr Stanley Kitchen, president of the Institute of Chartered Accountants in England and Wales remarked: "Despite the fact that most of us have an initial resistance to change, there is a general recognition of a need to move from the historic basis of accounting. There is an inevitable loss of agreement as to what new basis should be adopted."

"It is time we stopped arguing and agreed to a common solution to the problem of policy that CCA system developed by the Inflation Accounting Steering Group and published by ASCLs in October straightforward and workable. Equally, I am sure experience will show that it is capable of streamlining and improvement."

Accountants' Coopers and Lybrand welcomed the publication of the proposals which represented a major step towards the reduction in management costs of the accounts and subsidiary accounts and the replacement costs of fixed current purchasing power assets and holding gains in accounting, thus providing management and other users of financial statements with more relevant information.

## MEMBERS OF THE INFLATION ACCOUNTING STEERING GROUP

D. S. Morpeth (chairman) .....	Touche Ross
L. M. Bowie (chairman of Working Party C—Distributable Profit and Legal Implications) .....	
R. C. M. Cooper .....	Pearl Marwick Mitchell Department of Trade
I. F. H. Davison (chairman of Working Party D—Guidance Manual) .....	Arthur Andersen
Professor H. C. Edey, FCA (chairman of Working Party E—Monetary Items and Deferred Taxation) .....	
D. H. Maitland .....	London School of Economics Save & Prosper Group
Sir Ian Morrow (chairman of Working Party F—Investments, Group Accounts and Overseas Assets and Operations) .....	Pemberton Boyle
G. M. Nissen .....	Imperial Chemical Industries Government Accountancy Service
J. Pearcey (chairman of Working Party A—Fixed Assets) .....	Ford Motor
K. J. Sharp .....	Delta Metal
S. Thomson .....	P. J. Carroll
G. H. Wilson (chairman of Working Party B—Stock and Work In Progress) .....	Electricity Council
ADVISERS	J. W. S. Walton
D. S. A. Carroll .....	Central Statistical Office

## INFLATION ACCOUNTING: ACCOUNTING STANDARDS COMMITTEE ISSUES EXPOSURE DRAFT 18

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1976-150

**Government gives its support**

THE GOVERNMENT immediately gave its support yesterday for the introduction of the proposals for current cost accounting as the basis for the preparation of company accounts as soon as practicable.

Answering a Parliamentary question, Mr Edmund Dell Secretary for Trade, said:

"My predecessor, in a statement on November 28, 1975, announced the Government's general endorsement of the principles of Current Cost Accounting, as recommended by the Sandlands Committee, and the decision to set up a steering group under the chairmanship of Mr Douglas Morpeth to study the detailed practical problems of the Exposure Draft and endorse the approach which is being taken."

Whinney Murray joined in congratulating the steering group on producing an exposure draft within its very tight timetable.

They said that historic cost accounts had in many cases become so misleading that a revised accounting convention must be implemented as soon as practicable so that users of accounts were again given meaningful financial information on which to base their decision.

Price Waterhouse agreed with the basic Sandlands proposals and were in broad agreement with the proposals to implement current cost accounting set out in ED18. They were however dismayed at the breadth and complexity of the exposure draft.

They said that historic cost accounts should be as accurate as possible. The disclosure of current cost operating profits, the current value of assets held by an enterprise, and the impact of inflation on capital maintenance, will help to drive home the damaging impact of inflation on the structure and performance of companies.

There are, of course, still

accounting becoming the future basis for company accounts.

"The Exposure Draft of an Accounting Standard, which has been prepared by the Morpeth Group, is published by the Accounting Standards Committee yesterday. This proposes the introduction of the system of separate consideration to the Current Cost Accounting for question of using Current Cost company accounts progressively for taxation and price control."

"The Government is giving

"The Government has been consulted by the accountancy profession with a view to the implementation of the Exposure Draft. The Government has been

"The Government has been

**Positive step****Banks**

THE CLEARING banks have welcomed the exposure draft. They felt it was a positive step forward, the Banking Information Service said yesterday, although primarily relevant to the accounts of industrial companies. They noted the reservations made in the draft as to its shortcomings for financial institutions.

"The banks are obviously concerned that there should be fair and logical treatment of the Morpeth Group in preparing these proposals, so that applied to non-monetary assets. They accordingly look forward to discussions on this matter.

"They feel that if new accounting standards are established on the basis of the exposure draft, profits for industry will be redefined to reflect some of the realities of inflation: but the absence of comparable treatment for banks is bound to lead to serious inquiries and misunderstandings."

"The banks therefore argue that they should be permitted to make an adjustment in their accounts before striking a figure of current cost profit, which would compensate for any variation in their free capital ratio that is caused by an increase in their overall monetary assets due to inflation."

"This adjustment would be analogous to the proposed cost of sales adjustment to an industrial or commercial company."

"Its purpose would be to enable banks to deduct above the line the amounts which have to be retained in the business if the banks are to maintain an unchanged level of real activity."

"In other words, it would reflect the fact that a bank's need for free capital like an industrial company's need for capital to finance stocks, increased in monetary terms at a time of inflation."

"The banks do not feel that,

"their case is met by the suggestions for an adjustment or explanatory note after profits are struck."

"Quite apart from the implications for taxation, price control and other public policy purposes, these compromises do not seem to apply the spirit of Current Cost Accounting adequately to their accounts."

**Insurance**

INSURANCE COMPANIES are likely to express support in principle for the implementation of the proposals for Current Cost Accounting as a means of reflecting the effects of inflation more realistically.

The adoption of CCA is unlikely to change insurance companies' results materially, as these already take account of inflation to a large extent. In fact, the Sandlands Report made particular reference to the actual approach towards valuing assets and liabilities which is adopted for life assurance business.

The main concern for insurance companies will probably be to ensure that adequate recognition is given to the special features of their business. It is perhaps not widely appreciated that insurance companies, as holders of net monetary liabilities, "accounted for inflation" by highlighting the differences between profits which should properly be located in the balance sheet and those which are genuinely revenue items.

"What it failed to do was to estimate in any way the 'real' value of shareholders' funds," said Mr. Gibbs. Others, particularly those industries such as engineering and textiles, would not be covering their dividends on a Current Cost Accounting basis, even with the inclusion of gains on non-monetary liabilities.

The first reaction of Mr. Peter Thompson of de Zoete and Rebon was one of great dis-

appointment but "on second thought I realised that the Steer Group had gone at least half way towards producing a proper accounting system."

He recalled that historic cost accounting had evolved over more than a century while Morpeth has had only two years. What has been produced in ED 18 is an accounting system about as advanced as historic cost accounting was when the 1929 Companies Act was passed. It will be up to those who will be using the figures to ensure that, in its final form, it is at least as advanced as the 1948 Companies Act.

Mr. Roger Nightingale of Illovo Goveit said that the real value of shareholders' funds, was not that it produced a system which "accounted for inflation" but that, it highlighted the differences between profits which should properly be located in the balance sheet and those which are in the same position as banks who hold net monetary assets, but who still have the same need to relieve the erosion of their capital base through inflation.

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**Industry points out problems of detail**

INDUSTRY IN general welcome the new proposals but recognised that many detailed problems remained to be cleared up. An exception was the sale of land and when it is being taxed in real terms only marginally profit.

The chairman of the 100 Group of Top Business Directors, Mr. Arthur John's initial reaction was to feel that the Morpeth Report is in line with Sandlands and that it would be welcome by industry.

"But the tax problems of pricing and taxation remain to be overcome. The Government has already gone a long way here both in the Price Code and taxation, where companies can get 10% per cent. first year allowances and stock appreciation relief. So a complete transition to CCA in these areas should not be difficult."

**Excessive**

Referring to the problem of the monetary sector, Mr. John said the ED 18, like Sandlands, recognises the necessity for continued inflation to be reflected in the real costs of industry. It seems vital in the interests of industry that banks receive similar treatment.

"I doubt very much whether many smaller businesses will even begin to understand what is all about—or since they are preoccupied with trying to earn a living, that they will want to waste time in trying to understand."

He had no doubt that it would require a major educational exercise to launch such a scheme and that the most ardent advocates could claim that this sort of system could be introduced with out substantial cost and a great deal of extra work.

"Medium and small businesses are likely to find the demands excessive and the value not existent. People working in various corporations may well appreciate the mystique of accountancy, but in practice it will be adjusted with additional work when necessary. It is difficult to conceive how the capital needed to solve the problem of monetary assets facing financial institutions."

"The main concern for insurance companies will probably be to ensure that adequate recognition is given to the special features of their business. It is perhaps not widely appreciated that insurance companies, as holders of net monetary liabilities, "accounted for inflation" by highlighting the differences between profits which should properly be located in the balance sheet and those which are in the same position as banks who hold net monetary assets, but who still have the same need to relieve the erosion of their capital base through inflation."

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## Current Cost Accounting - 3

## THE GOVERNMENT ACCOUNTANTS' VIEW

## Whitehall's support

BY K. J. SHARP

**THE GOVERNMENT** is committed to support the principle of current cost accounting (CCA). This was made clear by the then Secretary of State for Trade in November 1975 when welcoming the Sandilands Report and was confirmed in a written answer in the House of Commons yesterday by Mr. Edmund Bell, the Secretary for Trade, on the publication of Exposure Draft 18 (ED 18). It follows therefore that so far as ED 18 accepts and applies the Sandilands' approach it too will have support in Whitehall. During the exposure period the Government will make a close study of the implications of the proposals and will encourage all other affected organisations to do the same.

During the 11 months since the setting up of the Inflation Accounting Steering Group (The Morpeth Committee) I have served as one of the two Government representatives on that Committee and have simultaneously served on the interdepartmental group in Whitehall which has been following progress and considering Government views. This has been the friendless position it may sound because Whitehall is more concerned with the broad strategic issues which arise from the introduction of a new system of accounting, than the prime purpose of the Morpeth Committee, set up by the accountancy profession with the Government's support, is to concentrate upon the detailed problems which Sandilands recommended should be examined urgently in order to achieve a swift implementation.

While there have been several occasions upon which views on the fundamentals of accounting theory have been hotly debated (and with the evident enjoyment of the parties involved) it is upon the detailed practical problems that the Morpeth Committee has primarily concentrated. Communication between Morpeth and Whitehall has been frequent at both formal and informal levels and any incident difficulties have been rapidly resolved. The Government has recognised that all matters of detail were for resolution by the profession and has not sought to intervene when not directly concerned.

It is inevitable, when a principle is stated with appealing simplicity, that there is a sense of disappointment and frustration if the practical application involves complexities which appear at first sight to reduce some of the initial attraction.

The Sandilands Report was written in terms of general principle and illustrated primarily in the context of the manufacturing company. Substantial development was therefore necessary to find practical means of accommodating the structures of various other types of entity. There were also some highly complex technical problems, for example those concerned with overseas subsidiaries and transactions, finding an entirely satisfactory

which were difficult to resolve. However Morpeth has produced a workable (the proposals have been field-tested by 120 organisations) and reasonably consistent system which though not necessarily the final answer, will meet many of the shortcomings of historical cost accounting. Of course not everyone will be content, and there will doubtless be some adverse comment during the exposure period. The fundamental point which the objectors who would prefer no change have to meet, however, is that historical cost accounting is wholly misleading in most circumstances. No one starting from scratch in today's conditions would contemplate setting up such a system: it is not a satisfactory way of providing useful information to users of accounts and at the same time leads some managements to take decisions which are contrary to the interests both of their companies and of overall industrial efficiency.

There were serious reservations about the accountancy profession's original proposal to account for inflation by Current Purchasing Power (CPP) accounting—hence the setting up of the Sandilands Committee. It is inevitable therefore that there are doubts as to the wisdom of including as part of the account a Statement showing the effect on shareholders' equity of changes in the value of money as measured by the Retail Price Index.

However, a substantial body of users of accounts, including some institutions, believe that the information in the Statement is important for a proper understanding of an entity's performance. The inclusion of accounting theory have been hotly debated (and with the evident enjoyment of the parties involved) it is upon the detailed practical problems that the Morpeth Committee has primarily concentrated. Communication between Morpeth and Whitehall has been frequent at both formal and informal levels and any incident difficulties have been rapidly resolved. The Government has recognised that all matters of detail were for resolution by the profession and has not sought to intervene when not directly concerned.

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## No remorse

In some ways the most striking divergence of the Morpeth recommendation from the Sandilands concept is in the format which is proposed for the future statutory accounts of companies. Illustrated in an appendix, this bears a much closer resemblance to the traditional profit and loss account style than the Sandilands' proposal for a Statement of Total Gains. The format has evolved during the course of the debate as a result of the difficulty of taking into account problems re-

lated to the Common Market. The draft Fourth Directive of the EEC, which deals with the format of the accounts, is at present being discussed in Brussels on the assumption that accounts are prepared on an Historical Cost Basis. There is some provision to enable companies adopting another basis to do so, providing they provide information from which, for balance sheet items, the historical cost equivalents could be derived. The extent to which this would cause complications for auditors cannot be expected to judge the wisdom of the distribution policy of directors. With these considerations in view the Exposure Draft has adopted the pragmatic approach of presenting the relevant figures separately for users to interpret as they think most appropriate. Effectively the key figure of profit (if that concept continues to have any relevance at all) is Current Cost Profit, meaning operating profit adjusted for interest, tax, minority interests, and extraordinary items.

The introduction of surpluses on revaluation and transfers to revaluation reserve are brought into an appropriation account upon the basis that items "below the line" are treated as being "unadmissible".

While not entering into the academic fray, I suspect that there may be some concern as to whether the exceptions permitted to enable gains on efficient buying to be included in operating profit are adequate to permit a reasonably realistic view of industrial earnings to emerge, or whether these earnings are now going to be significantly understated.

It is noteworthy that the problem of definition of earnings per share is not touched in the Exposure Draft. The resolution of this problem could have important implications for the attraction of funds by industrial companies (in so far as they are seen as depending on stock market ratings).

Problems relating to taxation and price control were expressly excluded from the terms of reference of the Morpeth Committee. It is, however, accepted that the issue, about which there has been so much ardent debate, cannot be solved by dialectic. The Government therefore understands the approach outlined in the Explanatory Note (Para 268) that a reassessment should be made in the light of experience, and that consideration will then be given to whether the information in the Statement should be retained, abandoned or shown in some other way.

(K. J. Sharp is head of the Government Accountancy Service)

As ministers have asserted on numerous occasions the main thrust of Government economic policy lies in the regeneration of British industry: they believe that a valuable part will be played by the introduction of Current Cost Accounting—not just because we are living in inflationary conditions, but because for all conditions it is a better system of accounting in its own right.

None of these considerations takes into account problems re-

lated to the Common Market. The draft Fourth Directive of the EEC, which deals with the format of the accounts, is at present being discussed in Brussels on the assumption that accounts are prepared on an Historical Cost Basis. There is some provision to enable companies adopting another basis to do so, providing they provide information from which, for balance sheet items, the historical cost equivalents could be derived. The extent to which this would cause complications for auditors cannot be expected to judge the wisdom of the distribution policy of directors. With these considerations in view the Exposure Draft has adopted the pragmatic approach of presenting the relevant figures separately for users to interpret as they think most appropriate. Effectively the key figure of profit (if that concept continues to have any relevance at all) is Current Cost Profit, meaning operating profit adjusted for interest, tax, minority interests, and extraordinary items.

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## AN ACADEMIC'S VIEW

## The accountants' safe haven as far away as ever

BY W. T. BAXTER

WHEN DESIGNING a new kind of aeroplane from scratch, we might sensibly start by learning all we could about relevant theories of aerodynamics and existing planes. If instead we adopted several discordant and dubious principles—if we ignored the experience of others—if we said jet engines are good, but so are diesels, so let's stick both—if we delegated the design of different bits to groups working apart—if we went helter-skelter for jumbo size—then our invention might not inspire maximum confidence.

The Morpeth committee is hardly to be blamed if its new Standard, out-to-day, bears some likeness to that plane. They were made to work at speed, and can with reason plead that lack of time forced them to skip preliminary studies and take short cuts.

They suffered even worse constraint. The committee was set up, on Government orders, to show accountants how to put into effect the ideas in the Sandilands report. Sandilands recommended that assets and debts should be stated at current value, but the owners' capital, reserves, etc., should be left at historical cost. It rejected out of hand all use of an appropriate for capital maintenance that may temporarily allow for loss on holding cash, etc., as worked out in a separate CPP statement. CCA and CPP can in fact be blended elegantly, by what the Background Paper to the report calls the "ideal" method. This takes time to understand or apply, and is rejected.

Let us now look at the main essential tasks of inflation accounting: to show loss or gain on money (for instance from owning or owing pounds while their value sinks); and real loss and gain on other items. If my house appreciates by 20 per cent while the general index

rises 15 per cent, I have made proposals of the report. Assets rest of ordinary profit, and is the whole of it when input are to be shown at their current value, defined in the selective terms of Bonbright's "value to the owner" (deprival value). To my mind, this concept is best; it will make managers think more carefully about whether they are using fixed assets in the best way and will make published balance sheets far more realistic.

These defects were to some extent avoided in the accountants' own earlier model, described in Standard 7, and brushed aside by the Government. It uses historical cost raised with the general index—that is, it restates the historical figures in current purchasing power (CPP) equivalents. Admittedly, this model is weak for asset values. But it does show gain and loss on monetary items, and also an income figure that is (to my mind) the best available, as it reflects increase in the owners' real wealth (in contrast to Sandilands' increase in physical quantity). It is fairly simple and objective, and has much in common with the tried systems of Latin America.

The Morpeth model dutifully retains the "current cost accounting" (CCA) figures of Sandilands, but tries to graft on some CPP refinement. Its balance sheet follows Sandilands, jumbling up current and historical values. Its income statement too starts like Sandilands, but at the end veers off with an appropriation for capital maintenance that may temporarily allow for loss on holding cash, etc., as worked out in a separate CPP statement. CCA and CPP can in fact be blended elegantly, by what the Background Paper to the report calls the "ideal" method. This takes time to understand or apply, and is rejected.

Let us now look at the main

rest of ordinary profit, and is the whole of it when input prices do not change. This analysis is of mild academic interest (it is supposed to show still as at timing purchases), but has hitherto been almost unknown in practice.

For some assets, the conceptual troubles are baffling. What happens, for instance, where the market is non-existent, so that there are no market prices to serve as guides? This situation is not uncommon with unshipped stocks, such as maturing whisky.

The auditor's troubles must be overlooked. He will have to verify the new values, yet they are often highly subjective, and must be estimated by directors who no doubt are mainly competent, staid, and honest—but sometimes are ignorant, or given to flights of fancy. The auditor may well need a new reporting formula to keep himself in the clear.

Ordinary profit can be analysed between holding gain and operating profit. Holding gain is growth in value of inputs (stock used or the year's slice of a depreciating asset) between purchase and sale dates. Operating profit is the

suppose the directors choose physical sense, but they now see revaluation (nominal and real, dard can plead that full discus-

to plough the gain back and so that they want value, not tons. unrealised and realised, on everything save monetary assets. That increase may take place in the form of, say, an extra building, or (most probably) an appropriation made up of whatever adjustments the directors still think necessary for capital maintenance. As the value of money) and real gain. The former should be omitted from profit, the latter kept in. For instance, if stock price appreciates from £100 to £120 while the general index rises 15 per cent, accounting profit should indeed be cut by £15, but £5 ought to be recognised as income. CPP accounts charge the Sainsburys and Morpeth £20. It will be ironic if a Socialist Government concedes should be followed by an entirely new kind of statement. In

Suppose the directors choose physical sense, but they now see revaluation (nominal and real, dard can plead that full discussion and testing are ruled out by the need to race to a dead-line. But then we should start with something simple and proven, such as the CPP models of Brazil and Chile. This important change should be made by cautious evolution, not started jumps.

Perhaps the issues go deeper than we like to acknowledge. The kind of measurement with which we are all most familiar is that of physical quantities (for example weights); and it can differ in nature from measurement of more subjective things. If Miss X tests her weight on two machines at Blackpool, and the machines disagree, we can reasonably hold that at least one of them is wrong. But if she goes in for a diving or beauty competition, and each judge gives her a different mark, the disagreement need not suggest incompetence.

A beauty standard could impose uniformly only if it confined itself to physical traits. Thus it could order the judges to choose the girl whose statistics came nearest to 35.24. But then the winner might disagree with the shambles along on one foot and one fin. I am an enthusiast for inflation accounting. But the Morpeth model seems unsure in concept, costly to work, and hard to understand. I doubt if it can manage and investors the information they want. And I do not think we should clawbacks (worse than under previous rates) the firm's taxman's sake: better continue to have two figures.

Apologists for the new standard may bring accountants seeking so earnestly. And this standard is far from wise.

## GUIDE FOR FINANCE DIRECTORS

## A company's handbook

BY MICHAEL LAFFERTY

THE PUBLICATION to-day of executives and employees to all deliberately to offset the limitations of historical cost accounts. The Marpeth Group's proposals on current cost accounting (CCA) is of major importance. For this the starting point must be the exposure draft in use should suffer a depreciation charge. The financial director will be his task to see that the new system is successfully implemented and that its implications are fully understood by all those in his company who use financial information.

From now on many organisations will be running courses on the ED 18 proposals and for many people this will prove to be the best means of getting an insight into the subject. In general the practical courses being arranged by the leading professional accountancy bodies would appear to be the best bet, but the big accounting firms will also be running free seminars for their clients.

Plant registers: One of the greatest difficulties in introducing CCA in many companies will be the simple problem of obtaining information about the age, cost and location of items of plant and machinery. An immediate start should be made to prepare a plant register to test it out against a sample of purchases.

Your company might find its profits are eliminated if no provision for deferred taxation is made. Before making any decision about deferred tax look back at your company's record over the past five years and then examine in detail your cash flow budgets for the next three years.

Professional valuation: If your company has revalued its land and buildings in recent years you should approach the valuer and discuss the best way of tackling valuations for CCA purposes. Valuers are supposed to be competitive among each other, and you should not expect to pay full rates for repeat valuations.

Dividend policy: CCA may affect the dividend cover in your company's accounts. The financial director should estimate the effects of the introduction of ED 18 on the accounts and begin to calculate what proportion of holding gains may need to be distributed.

Goodwill: If your company's accounts include goodwill consider whether you can eliminate the goodwill against a revaluation surplus on fixed assets. The Accounting Standards Committee may require goodwill to be written off in the future. Rather than use future profits to eliminate what in CCA terms is a meaningless figure it is best eliminated against the revaluation reserve.

Wage negotiations: Wage negotiations may take place against the background of the results produced by the company. In which case all those involved in wage bargaining need to be made aware of the different type of information produced by CCA account.

Current purchasing power: Current purchasing power, i.e. the system, backed by the accounting profession in SSAP 7, that raises the historical cost of assets and inputs with the general index.

Current cost accounting: Current cost accounting, i.e. the system, backed by the Sandilands Report, that uses current values of each asset and input.

Holding gain: Increase in an asset's value between the dates of purchase and sale.

Operating profit: Accounting profit with the holding gain taken out.

Real gain: Gain over and above historical cost raised with the general index.

SSAP 7: The accounting profession's CPP reform plan, geared to the general index.

Value found by selecting the most relevant of replacement cost, sale proceeds, and value in use—usually replacement cost.

people falsely assume that under ED 18 charges for depreciation on "Price Numbers for Current Company accounts will leap to a new high level. So, at present many companies depreciate through the Economist Intelligence Unit. The only way to determine whether they actually wear out this practice tends to be used index is appropriate for use by auditors are unlikely to be in a better position at present than you are to plan for CCA. It is however wise to remove any possibility of conflict before you make any changes. It would therefore pay you to clear your plans with them before implementation.

In an attempt to conform to CPP, the Morpeth report suggests that its CCA accounts should be followed by an entirely new kind of statement. In

The difficulties of measuring holding gains are still unanswered. This study explores the equity interest in CPP terms—the change in proprietors' interest as an approximation, possibly after allowing for the fall in physical characteristics of the assets.

Capital outlays on extra buildings and the like are not tax-deductible. So, if justice were our sole concern, neither should extra cost of physical replacements. But here comes the rub. If outlays on tax and dividend prevent outlays on replacement, and if the firm is unable to persuade the capital market to lend the needed funds, all manner of ill results may follow, unemployment for instance, and idle machines. Thus there may be a case for tax concession. But it should be called by its honest name—subsidy for a particular form of investment—and not concealed by fudging profit.

Directors and owners will rejoice when exclusion of holding gain spells low tax. But what happens when the cat jumps the other way, and there is holding loss? Current cost of stock and plant input then drops, and so operating profit is bigger than ordinary profit. Just when the income statement, and yet may statement would have been due in large part to keep admirable: as an apologetic postscript, it must strike readers gain. When technology or the firm's products change, the Together, the two versions suggest difficulties of defining "replacement" are multiplied. The shambles along on one foot and one fin.

I am an enthusiast for inflation accounting. But the Morpeth model seems unsure in concept, costly to work, and hard to understand. I doubt if it can manage and investors the information they want. And I do not think we should clawbacks (worse than under previous rates) the firm's taxman's sake: better continue to have two figures.

Though the Morpeth committee puts operating profits into the limelight at the top of its income statement, it recognises that the directors can be held responsible for their use of the owners' resources at (3). The thanks to clawbacks (worse than under previous rates) the firm's taxman's sake: better continue to have two figures.

Apologists for the new standard may bring accountants seeking so earnestly. And this standard is far from wise.

W. T. Baxter was professor of accounting at the London School of Economics, 1947-73, and is the author of Accounting Values and Inflation.

Arthur Smith, Midlands Correspondent, examines the working of the Government's accelerated investment scheme.

# Working out a new deal with industry

THE CHANCELLOR is expected to generate investment expected to announce details in £800m, and create 10,000 his imminent package of jobs.

measures of a new £100m scheme to encourage investment in manufacturing industry. While the exact terms and conditions on which the funds will be offered remain to be disclosed, it will draw heavily on the past 18 months' experience with the accelerated investment scheme.

As a result of this experience, the Department of Industry believes effective and efficient machinery has been constructed to vet applications for State aid; more important still much of the hostility and suspicion between industry and Whitehall has been broken down.

The new scheme will reflect the extent to which direct Government assistance has become detached from regional considerations—the problems of the depressed areas—and geared towards the needs of particular industrial sectors. The emphasis will be upon productivity and export potential rather than pure job creation.

## Funds fudged

Though Mr. Denis Healey, the Chancellor, announced the accelerated investment scheme to a great fanfare in his April Budget last year, the exact funds available were fudged and the lower limit of eligibility was set at schemes costing £2.5m.

At the depth of recession, the Department of Industry had taken tentative steps to encourage companies to bring forward major schemes. Well-meaning as such an initiative might have been, it marked the period when Mr. Anthony Wedgwood Benn was Secretary of State for Industry, and controversy was raging about industrial planning agreements and worker participation.

Not only was the response to the scheme poor, but any signs of economic upturn receded and on September 28, 1975, the scheme was extended to embrace projects worth more than £1m. By November 5, Mr. Eric Varley had taken over as Industry Secretary, the limit was lowered to £500,000, and the time for application extended to the end of September this year. At the latest count on November 5 this year, the department had made 112 offers of assistance worth £80m.

## OFFERS MADE UNDER THE ACCELERATED INVESTMENT SCHEME, AT NOV. 5, 1976

	Offers made	Projects	Cost £m.	Assistance £m.
Scotland	6	33.5	2.8	
Wales	2	16.0	1.5	
Northern	4	30.0	1.8	
Yorkshire and Humberside	10	137.5	21.5	
North West	14	59.0	2.8	
East Midlands	10	16.5	1.5	
West Midlands	23	74.0	8.5	
London and South East	9	21.0	2.0	
South West	11	34.0	3.0	
Eastern	13	113.0	15.5	
Projects in more than one region	10	67.0	12.5	
Total	112	601	80.0	

Nowhere can the full import of Government policy be felt more keenly than in the West Midlands. This is the region which has not only managed to gain more applications under the accelerated investment scheme, but has benefited most from the fundamental switch in industrial policy.

In the prosperous post-war era, the region was subject only to the negative aspects of regional policy—to industrial development certificates and measures to relocate expanding companies to the assisted areas.

But in the past two years specific aid schemes announced by the Government will make £26.2m. available to the Coventry-based Alfred Herbert machine tool company, £162.5m. to Chrysler U.K. and £280m. to British Leyland, half of which will be spent in the West Midlands. Not only this, but the region is benefiting from the ferrous foundry, machine tool, and clothing industries schemes.

Nor is it an accident that the West Midlands has emerged with most applications for the accelerated investment scheme.

Mr. John Thompson, regional director for the Department of Industry, says: "This was the best thing that had happened to the region. It had never before been eligible for direct Government assistance."

Mr. Thompson mounted a publicity campaign for the scheme with details going out to the projects have in common that regional Confederation of British Industry, local chambers of commerce and engineering export orders.

At Wedgwood the investment

processes and

assistance under the scheme was offered in the form of concessionary loans—usually around 4 per cent below the ruling market rate for a first class company—or as an interest relief cash grant. Of the £80m. so far allocated, more than 90 per cent has been taken in the form of grants to companies which have borrowed elsewhere but accepted the government assistance as a contribution towards interest payments.

While complicated formulae exist for the way assistance should be advanced, in practice the accelerated investment scheme has worked largely on a basis of horse-trading between individual companies and the Department of Industry. Working to strict criteria of eligibility, based on factors such as the commercial viability of the project and its contribution to an improvement in the balance of payments, the Department has tried to keep its offers to the minimum and yet still encourage companies to bring forward investment.

Basic to the scheme has been the establishment by negotiation of the level of grant necessary to influence a company to proceed with a project. Once a deal was clinched, it could be dressed up according to the appropriate

formula for interest relief payment. But the reality of the arrangement is disclosed by the fact that, under most of the projects approved, Government payments are related not to the actual interest payments, but to the progress of the development.



Sir Arthur Bryan (right) at one of the Wedgwood potteries. Government cash will allow a £7.5m. investment plan to go ahead, providing an extra 1,000 jobs in North Staffordshire over the next three years. Were it not for State aid, the plan would have been shelved.

which was evidence usually in the form of extracts or Board minutes that the scheme would have been deferred or abandoned but for Government assistance.

To the sceptics who criticised that the accelerated investment scheme could not fair as it amounted to little more than the State handing out bound notes to all comers, the industrial development unit pointed out that more than two-thirds of the 350 applications for aid were either rejected or withdrawn because they did not meet the criteria. Indeed, on present trends it seems likely that only £100m. of the full allocation will in fact be disbursed by the department.

In making its assessment, the unit drew not only on the knowledge of the local regional offices but also on the expertise of the civil servants at Millbank Tower, specialising in particular industrial sectors, such as chemical or textiles. Moreover, one term had been agreed with particular companies that the arrangement was subject to normal DoF scrutiny and to monitoring by the Industrial Development Advisory Board, the statutory body established for the purpose under the 1972 Act and chaired by Sir Robert Clark, chairman of Hill Samuel.

## PRAISE

Praise for the efficient way in which the accelerated investment scheme was handled by the department. Sir Arthur Bryan, chairman of Wedgwood and man noted for his views about the need for the private sector to be free of Government interference, says that any fears that the department might attack "strings" to assistance were quickly dispelled. The company had felt free to divulge commercial secrets and confidences. It experiences would encourage the company to deal again with the Government "provided the people concerned were of the same high calibre."

Mr. Odgers maintains the lesson of the exercise is that "We have learnt that Government working with the private sector, can in an effective way persuade companies to do things in the national interest to improve efficiency and raise exports."

## Selectivity

For state aid to be awarded in such a fashion marks something of a departure. The British Civil Service, with its tradition of impartiality, has been asked to move towards a policy of discrimination and selectivity. This was inherent in the Conservative Government's 1972 Industry Act under which their assistance schemes have been carried out.

Basic to the scheme has been the establishment by negotiation of the level of grant necessary to influence a company to proceed with a project. Once a deal was clinched, it could be dressed up according to the appropriate

formula for interest relief payment. But the reality of the arrangement is disclosed by the fact that, under most of the projects approved, Government payments are related not to the actual interest payments, but to the progress of the development.

Once a project had reached the point of a firm application and the initial vetting had been conducted, Mr. Odgers allocated it to one of his four deputy directors — senior financial executives recruited from top companies usually for a two-year term, and private sector skills officers, again from the private sector, usually in their early thirties and trained as financial analysts, chartered accountants or management consultants.

The unit required from companies the sort of information that any efficient Board would want from its executives in assessing a project, including

the progress of the development.

The task of the unit is to market projections and detailed

applications for investment aid, addition, compliance with the

conduct negotiations, and criteria for the scheme to be approved terms.

See  
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Polaroid's remarkable SX-70 colour pictures develop in daylight in minutes. The picture comes out of the camera hard, dry and flat. Nothing to time. Nothing to peel. Nothing to throw away.

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You can watch the colours develop or even put the picture in your pocket and keep taking more pictures. The print is completely protected inside a durable plastic cover.

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Wear Polaroid's light (16oz) 2000 around your neck. When you want a picture, just set the distance, aim and press the button. You have it. An SX-70 picture—from a £59.95 camera.

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# POLAROID 2000

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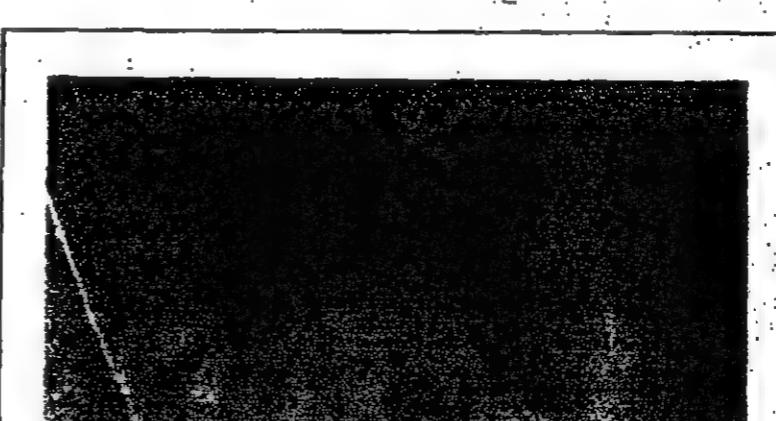
Just press the button. Out it comes.

**£59.95\*** Less than 2 seconds after you press the green electric button, a colour picture is in your hand—developing in daylight, before your eyes. Polaroid's new 2000 instant picture camera does practically all the work for you. All you do is set

the distance and shoot. All exposures are made automatically (even flash). It is powered by a battery built into every film pack so you never have to buy or change batteries again. This motor-driven camera automatically propels the picture into your hand. A counter tells you how many colour pictures

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Wear Polaroid's light (16oz) 2000 around your neck. When you want a picture, just set the distance, aim and press the button. You have it. An SX-70 picture—from a £59.95 camera.





# The Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

## • PROCESSES

## Success for cable joint process

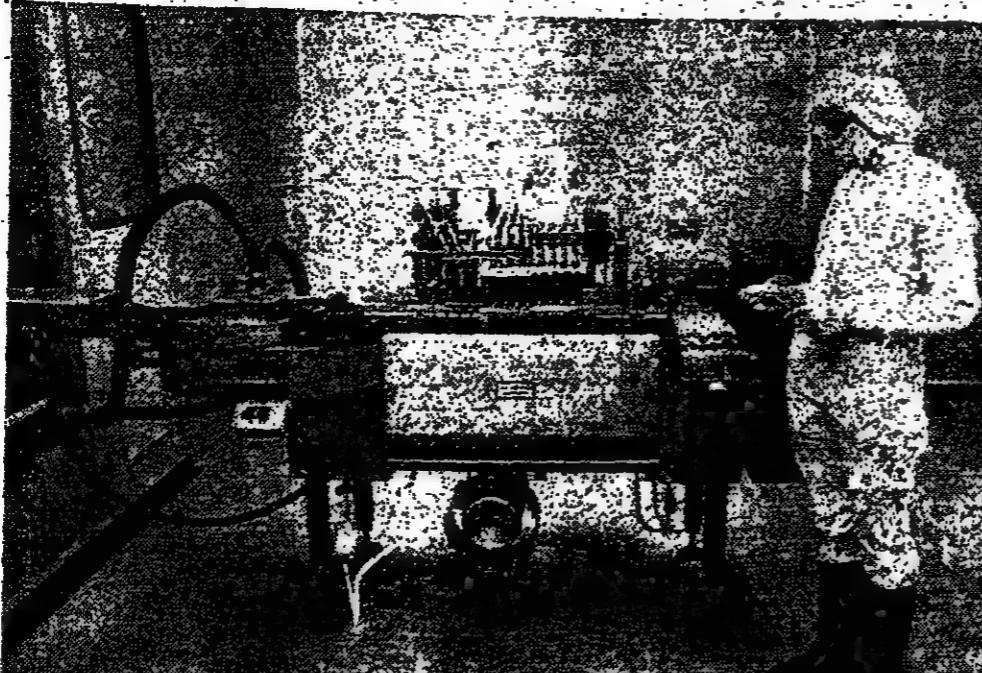
BASED originally on the requirements of the Electricity Council for joining 600/1,000 volt electricity distribution cables, rubber compound encapsulation process developed by Western Compositers is now being made more widely available.

The technology is called EMC expanded matrix composites and can be used to protect, for example, a cable point by temporarily encasing it in a casting box. Into which a semi-fluid rubber-based encapsulating compound is forced and later sets.

Chloride Lorival has been closely associated with the project and are supplying the fluid under licence from Western.

Sales to the U.K. Area Electricity Boards will be handled by a new company set up for the purpose, Western Electric, while other sales, for example to the contracting and industrial maintenance markets will be undertaken by 3M United Kingdom under an agreement; 3M is negotiating to look after European sales. In Australia Otex Cables has been appointed exclusive distributor.

Western says it is dealing with many enquiries for moulding in EMC as a replacement for malleable iron. March Road, Rayleigh, Essex (0743 31603).



This automatic filling and sealing machine is housed in a newly-constructed aseptic/clean environment at the Thomas Kerfoot laboratories in Lancashire. It is part of a compact production line made by H. Strunk and supplied by Robert Bosch Packaging Machinery (U.K.) of Aiston. The washing and filling line is able to produce

200,000 ampoules per week of a wide range of pharmaceutical products and Kerfoot has invested some £150,000 in the project. Clean-room facilities have been provided by Envair (U.K.) of Rossendale, Lancs. The other Strunk units include an ultrasonic cleaning unit and a drying and sterilising tunnel in stainless steel.

## • COMPUTERS

## Heavy spending by French Government

IN THE four years 1972-80, the new computer manufacturing company formed by the amalgamation of most of Honeywell's Bull with the big machine section of the French Government's CII organisation will get an estimated Fr.12bn. of support from the Government.

Parallel to this will run purchases of over Fr.4bn. of computers by a government organisation called CNME which will then lease them to Government groups and nationalised industries. However, Jean-Pierre Bruel, president director-general of the new organisation insists that while these figures appear to show there is massive Government support, this is not in fact the case.

Firstly, the French Government's recent company is not consulted to buy from his organisation. It will have to submit competitive bids. Secondly within this side Honeywell-Bull could not have tackled the fundamental problem of rescuing the French from the necessity of pouring more

and more money into the latter without the slightest hope that it would ever see CII as an international company.

Since July 1, when the arrangements became legal, the gradual integration of the two groups has run smoothly and the company is on quota with its sales in general and deliveries to Government use.

But Bruel does not hide the fact that the task of developing equipment that will take over from the machines CII was developing will be neither easy nor cheap.

For the smaller equipment it will be comparatively easy to build Honeywell-based machines able to take over from the low end of the range CII and Unitrade machines without their owners losing the benefits of the work they have done on writing special instructions (or applications programs) for these machines.

But for the very large computers and in particular the Iris 80, largest machine every conceived by the French Government's CII, the problem is so complex that even in 1980 there will still have to be two types of central computers before the two ranges of machines can merge at the top:

This means that there will have to be a successor to the big Honeywell Level 66 and the Iris 80. The successor machine will be drawn close together to the use of identical slave equipment, a common manufacturing technology, and an attempt to unify as much as possible of the software.

The reason why this has to be done is because about 100 large users mostly in the French Government area have based their data processing on this big machine which means that they have spent many tens of millions of pounds already on writing complex instructions some of them for extensive computer networks covering the whole of France.

It seems that the new company which has been given the awkward name of CII-Honeywell-Bull has its hands very full at the moment and the free time has to manufacture the biggest machine in the Honeywell series (Level 66) is unlikely to be used till well into the 1980s.

Newhouse, in Scotland, is the nearest production centre for Level 66 and trade sources there have feared a close-down of this production line and its transfer to France under the wing of a new French group.

This seems remote. But Honeywell, U.K. is seeking to expand business with several countries in the Middle East and elsewhere to increase sales from Scotland and provide a safety net for all eventualities. CII-HB is after all free to make its own decisions since 33 per cent of shares are in French hands. The remainder is held by Honeywell in the U.S.

Newhouse and Remel Hempstead, where Honeywell has its process control and programming centre, are doing well with an export surplus of \$4.6m. on \$40m. worth of business in 1975—expected to be considerably exceeded this year since turnover so far is up 22 per cent and new orders are higher by 14 per cent. But the company has made representation to the U.K. Government against its preference for ICL computers because 85 per cent of Newhouse production is exported.

Honeywell would welcome a better balance between exports and sales in the U.K.

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## • INSTRUMENTS Flow rates at high pressure

FLOW metering at pressures up to 1500 psi (400 deg. F) is possible to an accuracy of ±3 per cent using indicators introduced by Brooks Instrument; repeatability is 1 per cent of full scale.

Measurement is by movement of a metering plug in a fixed orifice. A magnetic coupling in the non-rotating guided plug activates another magnet in the rear of the instrument, giving a reading on a dial indicator. A choice is offered of direct reading scales or percentage scales with galls/min. or per hour gradings.

Model 3600C has flanged connections while the 360MC has NPT threads. All are rotatable and interchangeable. An electric transmitter can be provided optionally with outputs to various standards. More from Hemphill Lane, Stockport, Cheshire (061 490 8614).

## • RESEARCH

## Fifty years of gas technology

AN AUTOMATIC spiral indexer, developed by Bristol tool and Gauge Co., when fitted to a standard universal milling machine, enables slots to be machined on three cutting tools simultaneously.

The indexer has three spindles

on 3.5-inch centres. Each spindle

is bored through to take draw-

bars, or for holding a collet

chuck or similar work holding

device.

Up to 36 equal divisions are

provided by a quick-change index

plate. Additional plates with

unequal divisions (down to 10

deg.) can be supplied.

The equipment enables spiral

flutes to be machined on drills,

reamers, milling cutters, end

mills and similar cutting tools.

Large components up to 6 inch

diameter can be machined singly,

and for this the centre spindle

of the indexer is fitted with heavy

duty bearings.

The maker is at Church Road,

Kingswood, Bristol (0272 674881).

Pneumatic feed for power press

PULLING AND clamping power for progression of power press stock material can be provided by the Micropower air gripper feed.

Using two valves and a single

air cylinder, the unit can be

adjusted to give an exact flow of air to suit the feed pitch set without restricting the clamping and pulling power to pitch accuracies of ±0.0005 inch.

The device requires an air supply at 100 psi and provides a pulling power of 200 lb. Automation can be achieved by the use of an adjustable trip arm attached to the press tool or to the slide ram of the press. Remote air control can be supplied. A repeatable unit is available for multiple stroking.

The maker is Gingers and Instruments, Woodside Works, Summerville Road, Highgate, London N6 8UJ. (01-833 8651).

## Rolls spiral staircase frames

RINGS, SPIRALS and helical coils can be formed from tube, section or bar with the Tauris Alfa 50 ring rolling machine marketed by Addison (Sales) Company, Westfield Road, London W3 0RE (01-993 1681).

Applications are diverse, ranging from the frames of spiral staircases to shop display racks. The machine can be sited to operate vertically or horizontally according to the space available and the requirements of the application.

Rolling and forming is performed by three shafts powered by a 4 hp motor, and carrying rolls which are split to accommodate flat strip on edge, or webs or profiles such as angle iron or T section. Two of the shafts are adjustable against graduated scales for different radii and the machine is controlled by pedal providing forward and reverse rotation of the rolls for progressive forming.

## Quick look at tubes

DEVELOPED IN conjunction with the CEBG as a means of examining a large number of tubes-boiler or condenser tubes—quickly is the Acoustic Ranger 1000, now in production by Industrial Electronic Services.

Principle is to pass an ultrasonic pulse of between 100 microseconds and three milliseconds duration and up to 80 watts pulse power into the open end of the tube up to four times a second.

Reflections occur at any point where there is a discontinuity and this will provide a sufficient change of acoustic impedance.

Obstructions, foreign bodies, perforations, kinks will all result in some reflected energy.

Using two valves and a single

air cylinder, the unit can be

displaying the echoes received on an oscilloscope the distances and relative magnitudes of the faults can be determined.

Original use by CEBG was in inspecting the internal condition of condenser tubes in power stations, but it can be used to look at tubes having a wide range of lengths and diameters. Applications are expected in the non-destructive testing departments of the oil, chemical, processing and pipe maintenance in general. More from 21, Popes Lane, Ealing, London W10 5EP (081 588 6589).

## • CONFERENCES

## Refreshing the senior minds

CAMBRIDGE University Engineering Department plans to repeat a four-week summer school next year (September 4 to 28) aimed mainly at 35- to 45-year-old executives in the electrical and electronics industries who need refreshing and updating in advances that have taken place over the last 10 to 15 years.

Thus in the telecommunications, computing and systems engineering fields should find the course useful, in particular if they have moved away from close involvement in scientific work to a broader field of management.

Technical topics covered are not likely to have been treated in the participant's original degree course and will include the physics of the power electronic devices, mathematics, systems and control technology.

Some time will also be spent, however, on economics and operational control. Energy conservation will be an optional subject.

A series of after-dinner talks by distinguished speakers will form an important part of the non-formal activity. The school is residential at Trinity Hall and the inclusive cost is £225. More from Professor A. H. W. Beck, Engineering Dept., Trumpington Street, Cambridge (0223 66466).



## THERE'S A SET PLACE FOR PLASTICS IN STRATHCLYDE.

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## Foot denies differences with PM on spending

By Justin Long, Parliamentary Correspondent

MR MICHAEL FOOT, Leader of the House, yesterday criticised newspaper reports about Ministerial differences of view over the wisdom of further public expenditure cuts.

May reports of a weekend speech by Mr Peter Shore, Environment Secretary, had put his observations on spending cuts "out of context". Mr Foot maintained in the Commons:

"While Tory MPs probed Mr. Shore's weekend intentions on TV, it would be a "gross act of folly" to increase unemployment by premature public spending cuts. Labour backbenchers wanted to insert their views into the controversy."

Mr. Foot aware that many moderate MPs on this side of the House will oppose total and any further denials either from tax increases or further public expenditure," said Mr. Christopher Price (Lab., Lewisham, W.).

Mr. Foot, replying on behalf of the Prime Minister during Mr. Callaghan's visit to The Hague, found himself handling a hot potato. He was not even sure whether MPs could properly be described as moderate. "Maybe the word should be outlawed," he suggested.

But the House still wanted to know whether other Ministers agreed with Mr. Shore on the spending cuts issue.

Mr. Shore's speech was, as usual, a "very wise and intelligent speech," declared Mr. Foot, and if his questioners studied it in detail they would see for themselves that it had been rendered out of context by many newspapers. What Mr. Shore had been doing was to put the cuts already made into perspective.

It was much better to have the subject discussed in that way rather than in the simplistic manner adopted on the other side of the House, said Mr. Foot. Mr. Jonathan Aitken (C., Thanet E.) suggested that Mr. Foot and Mr. Callaghan differed in their views about the present public expenditure situation—if Mr. Callaghan's recent speech to the Labour Party conference meant anything.

Mr. Foot dismissed the idea. "I can assure Mr. Aitken that so far from there being the slightest misgiving of difference between the Prime Minister and myself, we are absolutely at one," he said.

### Miners

Mr. Dennis Skinner, the Left wing Labour MP for Bolsover, turned the exchanges to other matters he plainly thought might yield more information. He urged Mr. Foot to support the miners' claim for earlier retirement.

"I agree that miners have a strong case for a reduction in retirement age," the Leader of the House said. "The Government is sympathetic to that view, too."

"But we have to proceed towards it in a way that does not destroy the social contract and do damage to the economic position of the country."

The Liberals switched the subject to devolution and Mr. Jo Grimond claimed that under Government proposals, Scotland would be hopelessly over-governed.

With this criticism reinforced by complaints from the Scottish Labour Party MP, Mr. Jim Shand, Mr. Foot spent major part of this question-time period correctly arguing that MPs should give further study to the Government's proposals.

### Time allocated for ship grants

A TIME LIMIT on applications for shipbuilding construction grants was announced by Mr. Gerald Kaufman, Industry Minister of State, in the Commons yesterday.

In a written reply, the Minister said that applications for ships delivered before December 1, 1975, have to be received by May 31, 1977, and applications for ships delivered in the year December 1975 to November 30, 1977, have to be received by November 30, 1977. After that, applications must be received within a year of the date of delivery.

## Stricter security urged for Cabinet documents

By JOHN HUNT

PROPOSALS FOR stricter security rules on the handling of Cabinet documents are proposed in a report from the committee of Privy Councillors who were asked to investigate the matter following the leak of documents on the child benefit scheme in the summer.

In a written answer last night, the Prime Minister, Mr. James Callaghan, said the Government broadly accepted the report, and detailed consideration was being given to implementing it.

Mr. Callaghan added that despite extensive inquiries, police had not been able to discover the source of the child benefit scheme leak.

## Healey hints at lower income tax

BY JOHN HUNT

A STRONG HINT of income tax reductions in the spring Budget was given by Mr. Denis Healey, Chancellor of the Exchequer, in the Commons yesterday when he laid back at the Conservatives, who had put down a motion of no confidence in the Government's handling of the economy.

But he made it plain that any cut in direct taxation would depend on the type of deal which the Government could make with the unions over the third stage of incomes policy.

He hoped it would be possible to reach decisions on the new pay round in time for it to be reflected in the incometax provisions of the next Budget.

At the same time, he indicated that he was looking favourably at the possibility of increasing the rate of Value Added Tax. He argued that as 50 per cent of family essentials were zero-rated for VAT, it had now become a progressive tax.

Mr. Healey made no apology for the length of time being taken in negotiating the new loan from the IMF. He likened it to a bridging loan and said there was no question of the Fund seeking to impose a massive dose of deflation on Britain or enforcing a fundamental change in present Government policies.

On the question of reductions in public expenditure, the Chancellor warned that the cuts would not be painless. He also emphasised, however, that some of the "horror stories" in the Press recently bore little relation to the truth.

### Unhappy

Looking to the future, he said the Government was thinking in terms of a national stabilisation programme covering at least two years, perhaps three. But he stressed that the immediate problem was to regain control of the pound sterling.

Mr. Healey also made it clear that he was very unhappy at a system which allowed many workers to receive more on social security when they were unemployed than they received in wages when they were working. This, he said, was another major problem which the Government had to consider.

The Government was deeply concerned about the size of the public sector borrowing requirement, said Mr. Healey. Decisions on direct taxation would be reasons for seeking to reduce the burden of direct taxation.

This would be impossible to take such decisions until the problems the Government must consider before it takes its final decisions on what is required could diagnose the holes in the Tory alternative.

## All's well with the men from the IMF

BY PHILIP RAWSTORNE

MR DENIS HEALEY'S recital in the Commons yesterday of the rapport reached with the IMF suggested that the Government was about to sign a new social contract instead of a debtor's note.

There was no question the Chancellor asserted of the IMF attempting to force a fundamental change of policy down the Government's throat.

No question of the visitors from Washington bringing with them a massive dose of defiance.

On the contrary, the IMF team agreed full-heartedly with the Government's prognosis; commended its industrial strategy as the right recuperative treatment; and so admired the beneficial effects of its contract with the unions that it was recommending its adoption world-wide.

There were no divisions. Mr. Healey repeated, except in the newspapers.

The Government the 13th believed that of two or three years' "stabilisation programme" would be needed. And they were jointly concerned that any adjustments that had to be made should be done at once. "There should not have to be another bite at the cherry."

Mr. Healey did indicate that, even with the goodwill of the economic doctors, the cure could not be achieved altogether without pain. He hinted at further public spending cuts and VAT increases; continuing pay restraint, though sugared with income tax concessions.

The Government will decide . . ." he concluded proudly. "The IMF will then decide whether the Government has decided wisely."

Whatever the physical esposal of mainstream Government policy—that of the three main candidates, he spends most of his time on local issues. His biggest drawback may simply be that he is the wrong man for the hour. In 1974, as young leftwing lecturers and journalists were sent to Parliament, he would have been in his element. Now, all too easily he could be cast as the symbol of leftwing unorthodoxies which has undermined the Party.

Sir Geoffrey Howe's charges that the Government, having brought the country to its knees, now offered it only "a diet of false expectations" roused only Labor laughter.

"Nothing saves us so widely," he said, pointedly but ill-advisedly, focusing on the divisions in the Labour Party.

The IMF loan would bridge the gap in the Government's policies, Mr. Healey had said. But not even Mrs. Margaret Thatcher's heated intervention could diagnose the holes in the Tory alternative.

### Borrowing

The Government would be guided by the paramount need to give priority to manufacturing industry, and to maintain the relationship with the unions.

Mr. Brian Sedgemore (Lab., Luton) intervened to ask if the Chancellor was saying there was going to be a shift from direct to indirect taxation. He wanted to know whether there could conceivably be in such a suggestion.

Mr. Healey replied: "I am not suggesting anything in the nature of what you put to me." It was no longer true, he said, that indirect taxation was regressive and income tax progressive. In many respects, VAT was progressive rather than regressive.

Unless we reduced the size of the public sector borrowing requirement, we would find that we could finance it only by keeping interest rates at levels which, if they persisted for any length of time, would gravely damage the Government's industrial strategy.

It was extremely difficult to forecast the size of PSBR accurately. "We must aim at a steady and continuous reduction in the size of PSBR. It cannot be sought in an increase in direct taxation. The level of income tax is already dangerously high and is damaging our economic performance."

Mr. Healey said there was a strong case for tackling the problem of overlap between wages and benefits. At the moment, this was feeding the backlash among the low-paid against the whole concept of a wages agreement. "The social and political implications should be of real cause of concern."

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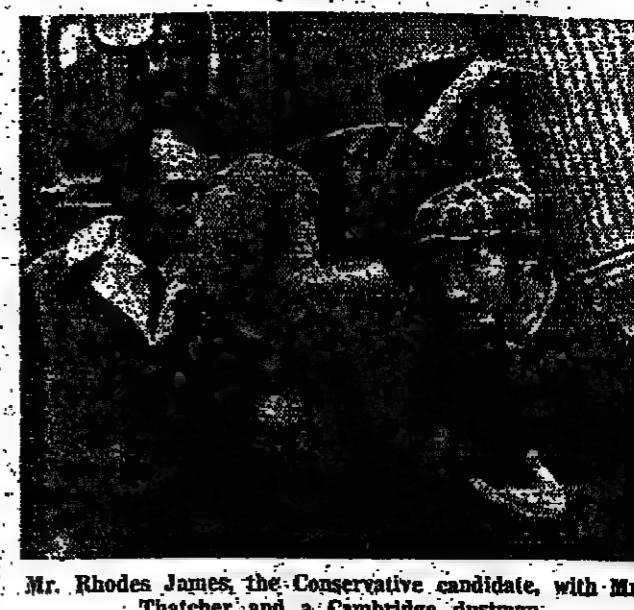
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## THE CAMBRIDGE BY-ELECTION

# The Light Blues' polite placidity



Mr. Rhodes James, the Conservative candidate, with Mrs. Thatcher and a Cambridge busman.

WITH A bare 24 hours to go on the council estates in the parts of Cambridge tourists never visit, he gains little response from his challenges to Mr. Rhodes James, to specify just where those celebrated public expenditure cuts should fall. Canvassing returns are poor, and even if the battle of window-posters is running his way, a cat with the ominous "Keep Wedge in Russia" sticker parked in a grimy street could be a more accurate pointer to his chances.

Even the student and Hampstead-flavoured academic support which Labour could once count on may be wanling. The politics of the 8,000-odd students eligible to vote has moved perceptibly to the Right and in the University, as elsewhere, the Conservatives are better organised.

Life is made harder still for Mr. Smith by a run-down Liberal campaign in a constituency where they have recently done well. Candidate Dr. Michael O'Loughlin and his enthusiastic band of helpers feel that the war has Labour captured it in the flood tide election of 1945 and 1966; and 1976 most certainly is not one of those.

To-day, Labour is desperately struggling to hang on to second place in the teeth of a well-marshalled Liberal challenge; and the antics of the three fringe candidates do not conceal the deep disillusionment that the Government in Cambridge as elsewhere in Britain.

The man with the inevitable task of trying to salvage something from the wreckage is Martin Smith, once a scholar at Sidney Sussex College, postman and milkman, and now a teacher and chairman of the local Labour Party. He is likable and committed, but it is a sign of his difficulties and of his seemingly tepid espousal of mainstream Government policy—that of the three main candidates, he spends most of his time on local issues. His biggest drawback may simply be that he is the wrong man for the hour, in 1974, as young leftwing lecturers and journalists were sent to Parliament, he would have been in his element. Now, all too easily he could be cast as the symbol of leftwing unorthodoxies which has undermined the Party.

If the IMF were not asking for blood, who would then listen to Sir Geoffrey Howe's unionist demands? Very few, if any, degree of enthusiasm, it appeared.

Sir Geoffrey's charges that the Government, having brought the country to its knees, now offered it only "a diet of false expectations" roused only Labor laughter.

"Nothing saves us so widely," he said, pointedly but ill-advisedly, focusing on the divisions in the Labour Party.

The IMF loan would bridge the gap in the Government's policies, Mr. Healey had said. But not even Mrs. Margaret Thatcher's heated intervention could diagnose the holes in the Tory alternative.

The Liberal spokesman, Lord Campbell of Croy (C.), warned in the Lords yesterday.

Lord Campbell, a former Scottish Secretary, who was ousted from his Commons seat by the SNP said: "There must

# FINANCIAL TIMES SURVEY

Wednesday December 1 1976

# Iceland

The Icelandic economy is beginning to recover from one of the highest rates of inflation in Europe, while at the same time seeing international vindication of its decision to extend its territorial limits 200 miles offshore. But while relations with the EEC remain healthy, the Keflavik Nato base is still a domestic political thorn.

THE ICELANDERS are again in their favourite sport of bashing the British—or so it must seem to the distant water-trawlermen of Grimsby and Hull. They have made it clear to Mr. Finn-Olav Gundelach, the EEC Commissioner negotiating with them on reciprocal fishing rights, that British vessels must stop fishing in their waters after today (December 1) on the expiry of the six-month agreement which ended the third cod war between Britain and Iceland.

The Icelandic attitude is tough but understandable when put against the historical and economical background. Most of them feel that they are winning their full independence as a nation for the first time to-day, when at last they can claim exclusive control over their natural resources, the fish around their island. (Agreements with West Germany and Belgium are still in force but these cover mostly less valuable fish than the cod.)

## Independence

After being for centuries a Danish colony Iceland gained political independence only in 1944. In 1901 Denmark made an agreement with Britain under which the fishing limit round Iceland was fixed at three miles with all fjords and bays wider than 10 miles open to trawling. That agreement was made against the wishes of the Icelanders and led to friction even then between the local inshore fishermen and foreign trawlers.

There are just over 219,000 Icelanders. They live immediately south of the Arctic Circle on a volcanic island

103,000 sq. kms. in area, of which 12,000 sq. kms. consists of land and 11,000 sq. kms. is dried lava fields. The cultivated area is 1,100 sq. kms., or just over 1 per cent of the total land area.

The Icelanders are descendants of Norse seafarers, mixed with Celts from Scotland and Ireland. In this century it has been from the sea that they have won a standard of living only marginally lower than that of their Scandinavian cousins. Only 18 per cent of them work in the fisheries but they provide three-quarters of the exports to pay for the imported goods without which that standard of living would collapse.

In October last year, having extended their fishing limits twice before, first to 12 and then to 50 miles, the Icelanders had the nerve to declare unilaterally a 200-mile exclusive fishing zone round their island. It gives them control of 75,000 sq. kms. of sea.

They said at the time that it would not be long before other nations, including those most fiercely opposed to their action, would proclaim their own 200-mile zones. Had the British Government been farsighted enough, it might have spared itself the cost of a third cod

## BASIC STATISTICS

Area	38,710 sq. miles
Population	218,000
GDP	Kr. 185bn.
Per capita	Kr. 845,000
Trade (1975)	
Imports	Kr. 75bn.
Exports	Kr. 47.4bn.
Imports from U.K.	£24.9m.
Exports to U.K.	£16.2m.
Currency: Krona: £1 = Kr. 304	

fishermen in EEC waters. This in fact Mr. Gundelach appears to be unable to do.

The Icelanders also feel that with their fishery experts demanding cuts in the allowable catch of the depicted cod and economists claiming that the fishing fleet has expanded too rapidly they have more than enough to do to reorganise their own fisheries.

In time, however, when feelings have calmed, longer-term views can prevail and the EEC succeeds in sorting out its internal fisheries policy, there could be a better chance of a fishing agreement with Iceland. The situation which comes into existence on January 1, when the EEC also moves to a 200-mile limit, reopens for the Icelanders the question of their future relations with Western Europe.

Iceland is a member of EFTA. She has a favourable trade agreement with the EEC, which only came into full effect last June, when the six-month fishing agreement with Britain allowed the ban on EEC imports of Icelandic fish to be lifted. Last year Iceland bought close to 45 per cent of her imports from the Community, which in return took only about 25 per cent of her exports.

## INCOME

Trade with the EFTA countries is closer to balance with roughly 20 per cent of both imports and exports. Trade with the Soviet Union under a clearing agreement left Iceland with a deficit last year; she took close to 14 per cent of her imports, mostly oil, from the Russians but sent only just over 10 per cent of her exports in return. Finally, the U.S. is the biggest market for Icelandic fish, taking close to 30 per cent of her total exports in 1975 while supplying less than 10 per cent of her imports.

Britain was at one time the main traditional export market for Icelandic fish and it was at least the economy and domestic party due to the successive conflicts and cod wars with the has shown the first tentative

signs of recovery from the profound setback which set in soon after the international oil crisis in 1973. It led to two devaluation of the krona, the sharpest rate of inflation in Europe and significantly lowered Icelanders' real disposable incomes.

As always with Iceland the basic causes of this setback were external, but Mr. Hallgrímsson's Government has so far had only partial success in bringing into effect the internal counter-vailing measures needed. It is now facing a serious test of its ability to provide the decisive action which its safe majority in the Althing (Parliament) warrants.

## Inflation

If the continuing very high inflation rate is finally to be curbed, the new national wage agreement due to come into effect in May must restrict income rises. However, inflation itself, the 'real fall' in Icelanders' living standards and discrepancies among income categories have stoked up the demand for substantial wage increases. This demand is reinforced by the improvement in this year's export prices, an improvement whose staying power has yet to be proved.

Mr. Hallgrímsson has set up a special committee, including representatives of all the political parties, the unions and employers, to examine the causes of Iceland's excessive inflation and to prescribe remedies. The committee — as much a political as an economic exercise — aims at achieving a consensus in favour of a tough line on wage increases.

The Independence Party which is most accurately described as liberal/conservative, holds 25 of the 60 seats in the Althing and governs in coalition with the second largest party, the Progressive, which has 17 members and whose electoral base is in the Co-operative Movement and among the island's farmers. The Progressives are led by Mr. Olafur Johannesson, Mr. Hallgrímsson's predecessor as Premier.

The coalition is an uneasy one. Recently there has been speculation that the Independents would like to sever the tie with the Progressives and seek instead a coalition with the People's Alliance (11 Althing seats) and the Social Democrats (5), who have greater influence in the trade unions.

It is probably too early for such a move but Independence Party tacticians undoubtedly have their eyes on the next general election due in 1978, when they hope to renew their mandate and when the prospect of a change in the coalition could promote their chances. Closer co-operation between the Independents and the People's Alliance could result in a more concerted economic and labour market policy but it would also call for some interesting compromises over Iceland's link with Nato.

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## ICELAND III

## Growing tourist appeal

ICELAND—EUROPE'S second largest island—is off the beaten track geographically, but it is future. Iceland was settled in the 9th and 10th centuries by Norsemen, land's 11 major glaciers, the Arctic Circle, Iceland is mainly from Norway, and Celts who were brought along as slaves. The Hekla and Katla volcanoes, the hot spring Geysir, and countless other hot springs and spouting geysers of every size and shape—not forgetting old and new lava fields. One does not have to drive far into the highlands to feel totally alone, so much so that tourists have been heard to claim that one could not be more alone on the moon.

Visiting fishing towns and villages is also an interesting experience. Almost everybody, including the very young and the very old, has to work in the fishing industry. Most schoolchildren above the age of 12 get a summer job in the freezing plants or the fish meal factories, playing their part in the hard fight to re-establish in Iceland, which bases its economic survival on the already overfished fish stocks of the island's 3,700 miles coastline. The most interesting fishing town to visit is Westmanna Island, off the south coast. It was almost completely ruined by ash and lava during a volcanic eruption in 1973. Now almost totally rebuilt, it has been likened to a modern Pompeii.

The tourist possibilities are being cautiously developed as a rather narrow coastal belt with a source of foreign income. Earnings are about 6.7 per cent in towns and over 85 per cent in fishing villages. The capital, Reykjavik, has a population of 100,000, shortly after the country became an independent nation (it was for centuries a Danish colony). In 1950 only 3 per cent of the total population at that time, according to Mr. Ludvig Hjalmtysson, manager of the National tourist Board, but this year a largely uninhabitable land area will be over 70,000. Iceland's population is now lakes, sand and other wastes—about 220,000.

The tourist possibilities are mostly for the rich. Every summer during July and August, many national leaders such as President Kekkonen of Finland, royal heirs such as Prince Charles, business leaders, famous actors, bankers, generals and politicians come to Iceland to fish salmon—in one or more of its famous clearwater rivers. They spend a few days in the farming valleys, where they can fish all by themselves away from telephones and telex machines.

The Icelanders are used to holiday on an Icelandic horse which costs £279 from these visitors, who usually farm which costs £279 from



Not the horrors of Heimaey Island, but a major tourist attraction—the aptly named hot water springs at Geysir.

spent a great deal of foreign currency on fish permits, up London and £416 from natural, hot water instead of oil Frankfurt.

In the past decade Reykjavik has become a popular convention centre. Every summer, a number are held in the capital, which now has three large first-class hotels equipped for conventions, business and association meetings. Nordic companies, professional groups and associations conduct their annual conventions in Reykjavik. International companies have also started to come to Iceland for the same purpose and the tourist industry is now planning expansions to be able to meet demands in this field.

## Salmon

Reykjavik has much which is different to offer the tourist. There are outdoor swimming pools heated by water from the hot springs. One of Europe's best salmon rivers is right in the middle of the city. Its central heating system uses cheap, natural, hot water instead of oil.

Jon Magnusson  
Reykjavik Correspondent

## Energy

CONTINUED FROM PREVIOUS PAGE

silicon annually after 1980. The Hrauneyjafoss power plant. It will be 25,000 tons smaller will be ready for production in the on this will be issued early next year.

In 1979-80, total basic construction cost is now estimated to be £80m. The new Nordic Investment Bank in Helsinki is considering an application from Iceland for an extensive construction loan for the plant.

Iceland, which has close ties with Norway, is interested in entering into further joint industrial operations with the Norwegians. Norsk Hydro has shown great interest in constructing a 100,000-200,000-ton aluminium plant on the Icelandic north coast, close to the industrial and commercial town of Akureyri. This idea has already caused some controversy among Left-wing groups and conservationists.

"It is possible to operate two or three large aluminium plants in Iceland, plus other mineral smelters and chemical plants," says Mr. Ragnar Halldorsson, managing director of the ISAL aluminium company. The electricity for the ISAL plant comes from the 210MW Burrell Hydroelectric station, which is about 150 km east of Reykjavik.

The power for the ferrocilicon smelter will come from the Sigalda power plant, which will produce 150MW when it is completed shortly. Both the Burrell and Sigalda power plants are wholly owned by the National Power Company, which is a 50-50 partnership between the Government and the City of Reykjavik. The next plant, which is still on the drawing board, will be the 210MW like to pay off as soon as

possible. It is planned that over 120 tons of knitted woolen clothing was exported for about within a reasonably short time. 80 per cent of all houses in Iceland will use geothermal heat expected to reach 340 tons, valued at around £7.5m. Last year, Iceland also exported 550 tons of a popular hand-knitting woolen yarn and blankets. The markets for this are mostly in Western Europe and North America, and the largest producers are Alfoss, Sambindur of Iceland, Ellida and Elder Knit (which also owns a wool factory in the Glasgow area).

Icelandic sheep and lamb skins are also an important export item. Skins are exported both semi-tanned and fully tanned. A spokesman for the Export Board said that the goal is to double the export of wool and skins within the next three years from a value of \$13.4m. in 1975 to \$28.5m. in 1978.

J.M.

## Increasing

The geothermal central heating industry in Iceland is now estimated to supply 55-60 per cent of all houses in the country. In the next few years, this percentage will rise rapidly, saving expensive imported oil. Iceland has imported most of its oil from the USSR, and it owes the Soviet Government a large sum of hard currency, a debt which most Icelanders would like to pay off as soon as

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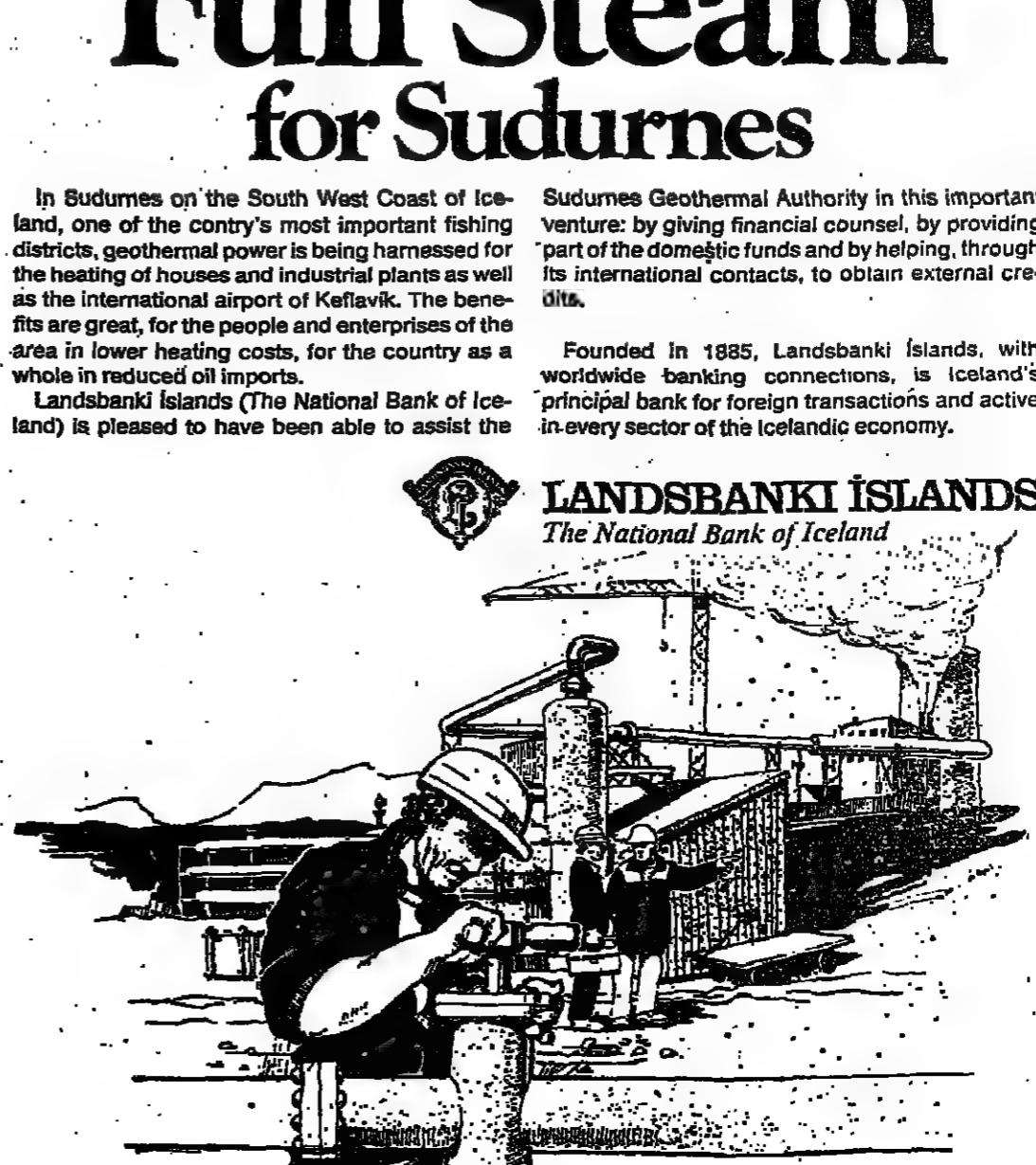
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ICELANDERS LIVE precariously. Not only do they inhabit a volcanic island, their livelihood depends on the shifting, barely predictable fish stocks in the stormy waters of their continental shelf. This platform, where the warm water of the Gulf Stream mixes with cold nutrient currents from the Arctic, is an ideal habitat for the spawning and feeding of several species of edible fish, most notably the cod. But the vagaries of the fish and the relatively haphazard organization of the fishing — despite the advances in fish detection techniques — introduce many chance factors into the industry. These are compounded by the frequent fluctuations in fish prices on the export markets, which make the Icelandic economy one of the most volatile in the Western world and impinge directly on the living standards of each Icelander.

The introduction of the 200-mile limit and the growing appreciation of the need for stock conservation among the fishing nations of the North-East Atlantic at last make it possible for the Icelanders to think about managing their richest natural resource on sound biological and economic lines. But it is no simple matter.

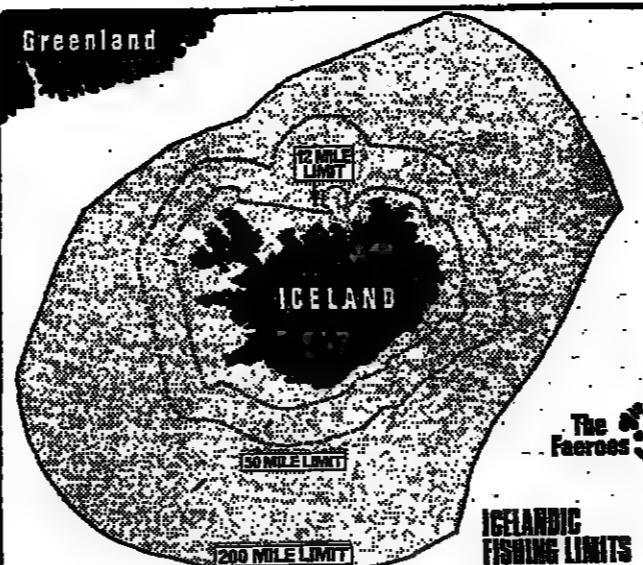
In the 1960s the herring, which then contributed about half the total Icelandic catch, all but disappeared. It has only just begun to revive after a ban of several years on all herring fishing off Iceland. Now the cod stock is under pressure and needs careful control of the allowable catch to restore it.

## Exclusive

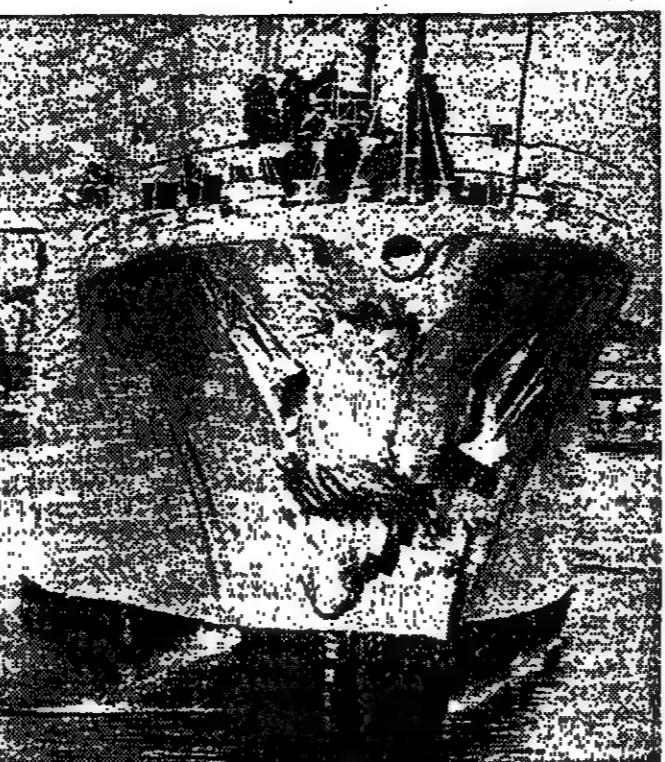
Even with exclusive control of their fishing grounds, the Icelanders cannot apply straightforward economic efficiency criteria to the management of their fisheries for sociological as well as biological reasons. Too many small, scattered, coastal communities are involved in the fishing. This dispersion is not only nurtured by local patriotism, it is also seen as a form of insurance. The sinking of Westmann Island was devastated in the eruption of 1973. Concentration of the fisheries into a few centres might be more efficient, but it would also expose Iceland to even heavier catastrophes.

Employment in the fishing fleet varies seasonally, but in 1975 the monthly average was just over 5,000, rising to around 6,000 in the peak months of March and April. These figures exclude those working in the processing plants and give an inaccurate picture of the importance of the fisheries for the economy. More significant are the trade figures.

Last year fish products accounted for 1kr.37.4bn. of total exports of 1kr.47.4bn. In the first eight months of this year the fisheries provided 74 per cent of exports despite a surge in deliveries of aluminium from the stocks built up in 1975. When it is considered that Icelanders have to import nearly all the necessities of a Western-style living, including



The frigate HMS Brighton refuelling from the Royal Fleet Auxiliary Tidepool during "cod war" patrol off Iceland earlier this year.



HMS Yarmouth with the damage sustained in a collision with an Icelandic gunboat during the "cod war."

many basic foods, most consumer goods and practically all the raw materials and capital goods, of fishing, there will be no overall dominance of the fisheries capacity.

Nevertheless, while there may be little danger for the new trawlers or for the bigger herring boats now given an extended season with the summer capelin fishing, the smaller inshore boats are likely to feel increasing pressure of conservation rules and competition from the deep-sea vessels.

Another element in the argument over capacity is Iceland's 110 freezing plants — one for every 2,000 Icelanders. Although investment in freezing plants had started earlier, the three cod wars with Britain and the EEC ban on fish imports from Iceland from the 1973 dispute until June this year certainly stimulated their expansion. The Icelanders went into freezing partly to get the added value from processing the fish domestically, partly in order to develop the alternative American market.

The U.S. market took 74 per cent of all Iceland's frozen fish products in 1975 and frozen products accounted for well-over 1kr.16bn. of total fish exports of 1kr.37.4bn. The Icelandic Freezing Plants Corporation, which markets in America under the Coldwater name, processed some 60m. lbs of frozen fish in the U.S. last year and anticipates sales there this year of around \$135m. The Icelandic cooperative movement should sell another \$45m. worth.

The U.S. is now by far Iceland's biggest single market for fish products with Portugal, the market for stockfish, second, and the Soviet Union, from which Iceland imports its oil, in third place. The EEC, including Britain, remains the major market for fish meal but with the dropping of the EEC ban on Icelandic fish imports, the question arises of whether the Icelanders may find advantage in redeveloping the EEC market.

The U.S. takes the cod and haddock preferred also by the British housewife and its prices are high. This year they returned to the 1973 levels. Last month, however, the Icelandic trawler Ogti made a record return for a single trip of 278,800 when it landed 2,528 kits of fresh fish, mostly cod and plaice, at Grimsby. If British prices remain that high, it will be tempting for trawler skippers to ice their fish and speed for British ports rather than return to their freezing plants.

The over-capacity issue is strongly disputed. The background is the latest report from Iceland's marine biologists, warning of depletion of the cod stock and recommending that the allowable catch be fixed at 275,000 tons a year for the next two years. The Icelandic catch alone this year will be as much and, if the British, West German and Faroese takes are added, the total will be close to 340,000 tons.

Altogether the EEC countries will fish some 120,000 tons of all species in Icelandic waters this year, with the West Germans' 60,000-ton quota consisting mostly of ocean perch and 200 tons of fish or less a year pollock. The opponents of the State research committee maintain that, if Iceland takes over this 120,000 tons from November next year, when the agreement with West Germany

of the catch and market prospects and some will continue to prosper on lobster and shrimps. But with the trend towards larger units in the fishing fleet it is difficult to see how some of the smaller plants can survive. This in turn will pose a problem for the Government.

The Icelandic fishing industry has been for many years a prime example of private enterprise, vigorous, competitive and untidy. In the immediate post-war years fishing was more seasonal with the bulk of the fleet moving to the Southern grounds in winter and back to the North in summer. Now the fleet is smaller in number, more diversified and fishing is becoming a year-round operation. There is less mobility among the fishermen, who with increasing prosperity prefer to stay put in their local fishing communities.

Most Icelanders regard the introduction of the 200-mile limit as the culmination of their dreams. Fewer yet realise that the continuing dependence of the economy on fishing coupled with the uncertainties about the fish stocks must inevitably lead to stricter regulations and further restructuring of the industry. One wonders how all the small fishing communities will be able to preserve a balance between their fishing and processing capacities.

The island waters can certainly no longer be regarded as the common property of all Icelanders. The closure of spawning grounds and other areas must imply some priorities for local fishermen in recompense. The government has to intensify its resource management with fish stock control technique which are still in their infancy and impose it on men with a strong tradition of independence. The 200-mile limit is without doubt a wonderful opportunity but there are a lot of unresolved problems as well.

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## The Management Page

EDITED BY JOHN ELLIOTT

John Elliott reports on an academic post intended to improve the way that companies manage all their design resources when developing their products

# Professor for a new discipline

TOO MANY British-made products fail to sell well overseas, not because they are too expensive but because they lack what is sometimes called fitness for purpose. In other words, they are badly designed. This is not a new discovery, but it is a weakness which has been highlighted by a number of recent studies conducted by the National Economic Development Office and others.

Now the Design Council, with the encouragement of the NEDO, is trying to foster the idea that at the heart of the problem is the fact that most companies fail to manage their product design properly. The council has helped to set up the first Chair in Design Management at the Royal College of Art with an £84,000 seven-year grant from the Wolfson Foundation and today it is announced that the man to fill this professorial chair will be Mr. Brian Smith, former chairman of P.A. Management Consultants.

### Develop links

Mr. Smith, 37, spent his early years in production engineering before he joined PA 27 years ago. He is vice president of the Royal Society of Arts, a member of the Design Council and a past president of the Institution of Engineering.

The job of the professor is to develop links between designers and industrialists and to establish within two or three years a post-graduate masters' degree course in design management at the college. It is hoped that world precisely what design management is. He has not yet finalised his definition but he starts by saying: "Design man-

agement is the management of the production and industrial design resources in the company. Managers say that industrial design is not right through from pro-designers: are expensive arty product planning to the whole crafty people who do not understand design team which includes the stand the world of industry."

Marketing man, the research and development engineer, the product engineer and the industrial designer himself. In the same way as there are managers of the design, manufacture, service for resources such as finance, marketing, personnel, and purchasing, so — from discovering what certain markets want through to there must be a manager for innovation, bridging the gap between the designers and the producers... Designers say they are not properly understood so products are bad and do not sell well abroad, while



Mr. Brian Smith seen outside the Royal College of Art where he has been appointed to be Britain's first professor of design management.

Leonard Dart

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"organisation," probably run by a director of design. He quotes Philips, IBM and ITT as companies widely recognised for doing this job well and for reaping the benefits.

"It is all a matter of bringing together all the skills, including highly specialised ones such as people experienced in patents and copyrights, market research, safety and reliability and production engineering. But you cannot define precisely the limits of design management because at one end you have Mary Quant or Terence Conran who are in the business of designing for fashion and aesthetics while at the other are builders of nuclear power stations and aero engines where design needs an extremely high content of technological engineering.

Between these extremes, are masses of firms producing kitchen equipment, machine tools, boots and shoes and other goods and in every case the requirement of design management will vary.

### One fault

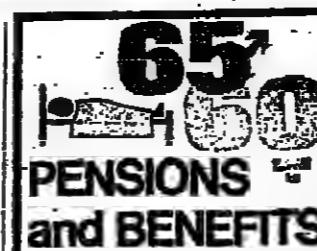
"It's not only a matter of having good designers or good research and development engineers. Their work has to be turned into products and the managerial co-ordination of all this is not done well at present," adds Mr. Smith quoting some recent academic research which he says shows that one fault in Britain is that industry does not spend the £12.000 tooling, pilot products and new plants that is needed to back up every £1 spent on research and development.

He deplores the fact that it is easier, for example, for the Government to pour money into a company like the Meriden motor bike co-operative than it is actually to make the people involved design a product that maximises the gap between value and cost and sells at the right time in the right quantity in the right market and at the right price. "It is a question of getting your products right and that is a qualitative problem as well as a quantitative one. What I have to do is to prove the case that well designed products pay off."

As part of his research he will be looking for good examples of companies with a "serious design philosophy which permeates right through the whole

organisation."

Mr. Smith is cautious about how fast he will be able to produce positive results and talks in terms of spending his first year as a professor on research without building up a big college department. It will be a year during which a lot more will be heard about the need in Britain for industry to manage its innovation work more effectively.



# Independence of the trustees

BY ERIC SHORT

A point to emphasise here is that the trustee often has to interpret the trust deed quite well leave the responsibility for members' interests are fully the hands of the trustees themselves.

The events at Automatic Oil Tools also reinforce arguments put forward by Mr. Stanley Orme, the Minister of State for Social Security, that member representatives should be nominated by recognised independent trade unions. This is because unions would presumably put members' interests first and would be well placed to bring home to employers any shortcomings in the scheme.

An insistence that representatives should be members of the pension scheme, and therefore be employees of the company, can on the other hand mean that the trustee could be subject to subtle pressure from the employer.

The best interest of pension fund members may not be served if the trustees are all appointed by the employer concerned, as a recent case shows

ensure that the pension scheme operates smoothly. Therefore an increasing number of consultants are offering their services to train trustees and provide specialist advice.

Trustees can also make use of the services of a corporate trustee or professional pension administration organisation. Clearing banks have operated corporate trustee services for many years, while Fraser and Bache recently launched a subsidiary United Pension Services.

Pension scheme trustees spend 10 per cent. of their time making decisions on how to run the fund and 90 per cent. administering it. The employer usually provides the administration services while the investment is carried out through an outside investment manager. But with the growing complexity of legislation it is becoming virtually impossible to operate the administration with just a clerk and a couple of girls. Professional services can lift this burden.

But more important, if these administration specialists are appointed as official secretaries to the Board of trustees, they can make their expertise available to the trustees. Join in discussions of the Board, and in orderly fashion.

### Lesson

The final lesson from Automatic Oil Tools is that the whole position of payment of contributions needs to be tightened up. In theory members' contributions should be paid over as soon as they are deducted from salary or wages. In practice, deductions are held by the employer and paid to the manager periodically. The receiver in Automatic Oil Tools remarked that in many cases of financial trouble, the employer had held back pension contributions in an attempt to boost the cash position. Fortunately, the part of the Employment Protection Act which came into operation in April provides for any shortfall in employees' contributions to be paid from the State Redundancy Fund. But perhaps that will only encourage employers to look on contributions as providing short-term bridging finance. The position needs to be cleared up and trustees ought to ensure that payments are made in a regular and orderly fashion.

### BUSINESS PROBLEMS

BY OUR LEGAL STAFF

#### Possession of a cottage

Since I acquired a cottage six months ago, the tenant, an elderly widow, who lives with relatives, has not slept in it, though she visits it two or three times a week. Is there any way I can claim possession?

Provided the original contractual tenancy was determined, for example, by statutory notice of increase of rent, at some time in the past, you could claim possession on the ground that the Rent Act does not apply at all, the tenant having ceased to re-

side at the property. However, it is difficult to prove the required element of non-residence, as a person may be permanently resident even though absent for one or more periods of time. If the tenant has lived in the property for a long time it is unlikely that the court will view her absence as permanent.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

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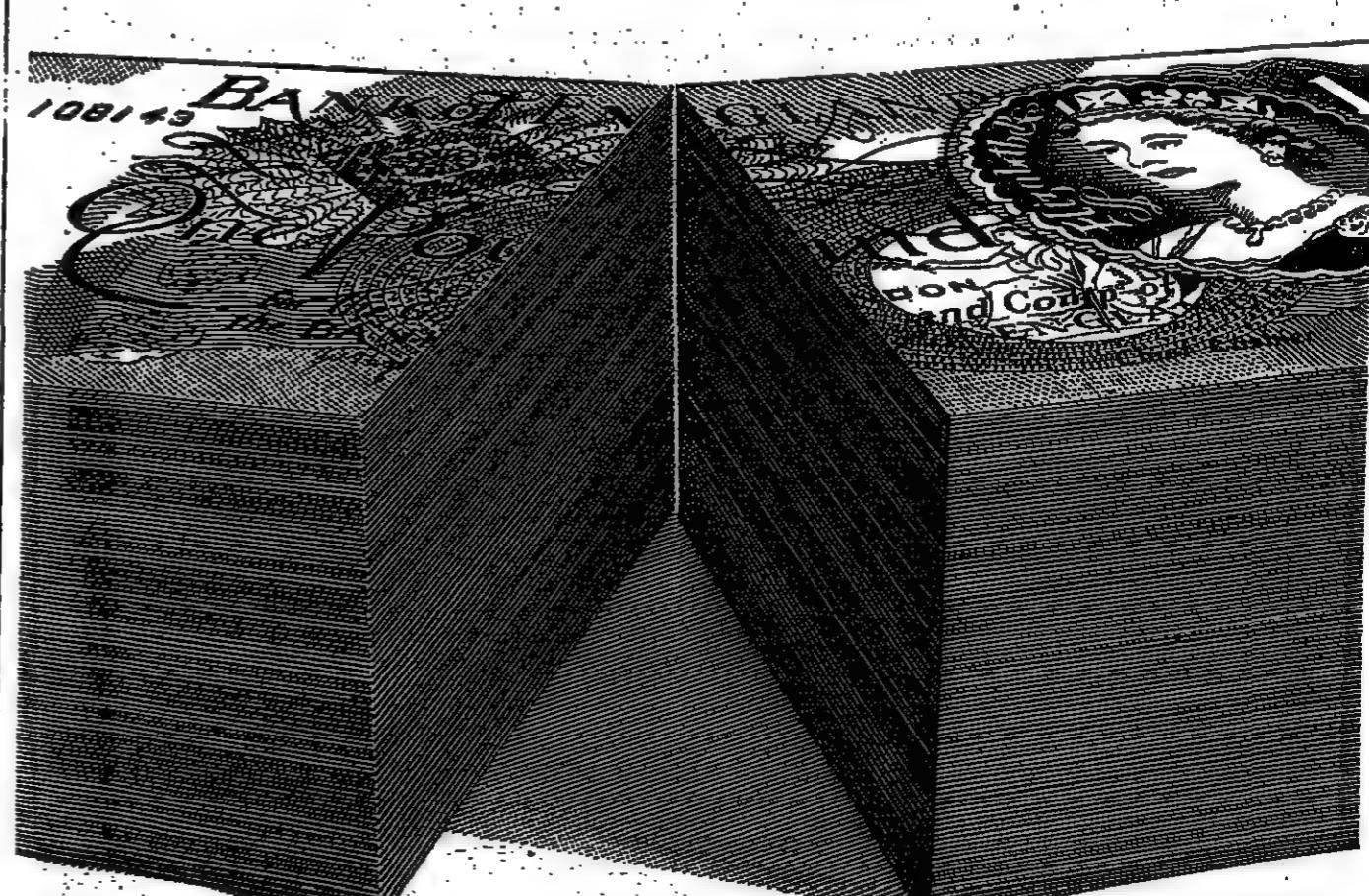
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# Why the legal machine is creaking

By A. H. HERMANN, Legal Correspondent

**THE LAW'S** delays are nothing new. No one is more familiar with them than are the High Court judges themselves.

Yet one of them, Mr. Justice Templeman, said earlier this month that he was horrified by the time taken to bring to trial a relatively simple case arising from a solicitor's failure to complete in time an agreed purchase of property. Nine years elapsed between the issue of writs and the hearing of two actions resulting from the original muddle. The judge thought that scandalous. He will consider at a later date whether the plaintiff's solicitor should be ordered to pay the costs personally.

But Mr. Justice Templeman did not limit his comments to the case before him. He said he believed that there were sufficient cases of unnecessary and harmful delay to warrant the imposition and enforcement of a timetable for litigation. He did not share the view that litigation was a game which litigants or their advisers were free to play at their own pace.

The judgment delivered by Mr. Justice Templeman on November 19 was the peak of a wave of judicial discontent expressed in equally strong terms by the Court of Appeal on several occasions in the course of the preceding eight days. There was the case of a widow whom the appeal judges reluctantly told that it was too late now to sue the hospital which in her view was responsible for her husband's death.

A few days later, on November 11, Lord Denning, Master of the Rolls, refused to allow an action in which architects, and the widow of an architect as his executors, would have had to defend themselves against charges of professional

negligence more than 15 years after the work had begun. The afforded to negotiation, court ruled—and outsiders are promised, and preparation even bound to be surprised that such if a timetable were imposed. He suggests, as one possibility, that if litigation involving an action could be automatically dismissed if summons for building contracts, however complicated, is not in a special category where long delays in preparing for trial are permissible.

On the same day, November 11, another Bench of the Court of Appeal, chaired by Lord Justice Megaw, was dealing with the case of a farm labourer who, more than five years ago, fell from a tractor and was injured. He used his employer for damages. In the case of unnecessary delay the solicitor at fault could be told to pay part of the costs, the judge said.

Another important recommendation made by Mr. Justice Templeman on this occasion was that High Court judges should have power to order the transfer of any action to a County Court. This would not only relieve congestion, but would also considerably reduce the cost of litigation.

Dealing with the "scandalous history" of nine years' delay, Mr. Justice Templeman also expressed the hope that the Law Society and the Bar Council would consider the professional conduct of those responsible for the delay and any general guidance which might be useful given to the profession. It is too early to expect any reaction of the two bodies to this particular case, but the general attitude of the Law Society to criticism of this sort was clearly commended by its president, Mr. David Napley, at the society's annual conference on October 7. He maintained that delays and high costs of legal services are not caused by practising law



Lord Devlin (left) and Lord Justice Templeman who have come out for far-reaching reform.

which oblige solicitors to perform and charge for services which should have been made unnecessary a long time ago. Such reform, Mr. Napley said, would make it possible to reduce the cost of litigation while at the same time allowing for proper remuneration of the really necessary services of solicitors.

Neither the judges blaming the practising lawyers, nor the solicitors blaming obsolete rules of the courts seem to have much time to consider the origins of the stresses causing the weaker links of the British machinery of justice to break and fail. The growing frequency of failures is hardly surprising.

The machinery was designed in the Victorian era to settle relatively few disputes between men of property, and is now expected to deal with millions of claims in which people who have to earn their living face

by social security, they will claim to adjudicators and tend to accept the incomprehensible delays as an act of the High Court for the review of cases in which great questions of principle are raised.

The combined effect of this situation and of the legal aid system is that the courts have become an arena for those enjoying legal aid and for rich corporations or individuals to whom costs do not matter, to the exclusion of middle-income people who have been crowded out by delays and the resulting high costs.

The medium-scale business, on whose creativeness an economic recovery largely depends, is for all practical purposes deprived of the protection of the courts which it cannot afford to approach.

The main business of the Queen's Bench Division described in textbooks as dealing primarily with contracts and civil wrongs, now is handling claims for compensation arising from personal injuries caused by motor car accidents or sustained in the course of employment. On the other end of the scale, High Court judges are kept out of action by endless cases between multinational companies, continued for years without regard for costs, until the contested patents expire or the dispute is made irrelevant by changes in the market place.

Neither exhortations addressed to the lawyers from the Bench, nor enforcement of timetables and pruning of obsolete rules is likely to reconcile with the changing times a machinery of justice, admirable for the perfection of its products but rapidly losing social significance because of small output and high cost. The giving up of "unarmed combat" between counsel, as Lord Devlin once called it, a much greater role for time-saving written proceedings, the relegation of

• York & Firth River Property Company, Cleavington Division 13 November 1978  
• Ministry of Labour, Southwark and Lambeth Area Health Authority etc. Court of Appeal 8 November 1978  
• Retsons Investments (Holdings) Ltd. v. Gurnett & P. Mervyn and Son Ltd. and others, Court of Appeal, 11 November 1978  
• Price & Smith, Court of Appeal, 11 November 1978

## Letters to the Editor

### Tax on home ownership

From Professor J. Parry Lewis

Sir.—The myth that house purchasers are subsidised when they obtain tax relief on their interest payments has recently (November 23) been paraded yet again. Despite its respectable history it is based on a complete failure to understand our taxation and subsidy system.

In one sense everybody is a net payer of taxes or a net recipient of subsidies. If I pay out more in taxes than I receive in my share of State-provided goods and services I am a net payer of taxes, and if it is a subsidy to tax me less on my income because I devote some of it to paying mortgage interest this has to be set against the extra tax I pay in VAT on materials I need only in order to maintain the house, and the tax I pay for the education of other people's children, along lines of which I do not approve.

The trouble is that house purchasers are being compared with the rest of the community whereas they should be viewed as one group of people who are party to a certain transaction. Borrowers from building societies obtain income tax relief on interest payments. Those who lead to building societies are taxed on the interest they receive. The intermediaries, the building societies, make management charges but no distributable profits (or no profits at all depending on how you define it). Roughly speaking, tax relief afforded to borrowers is balanced by tax paid by lenders.

What would happen if borrowers no longer obtained tax relief? There would certainly be an effect on house prices, and probably a decline in average size. The ability of some people to make repayments and in some cases prospective owner-occupiers would be thwarted. But this kind of analysis, fraught with assumptions about elasticities, demand curves and other concepts, is only part of the story. The other part is that the Government would be taxing the act of financing house purchase, for it would still be taxing, at the lender's end, interest on the loan and so withdrawing money from the system. This would mean that lenders of money to building societies would be subsidising everybody else—if we accept the approach indicated in my second paragraph.

Whether any government would willingly invite the allegation that it is "taxing" house purchase even more than it does through stamp duty and VAT on professional fees is open to doubt. One way of overcoming the allegation would be to deprive borrowers of tax relief but also to exempt those who lead to building societies from, or on their interest payments. This would make building society deposits as attractive as the societies would be forced to reduce their interest rates in order to get their funds into balance. Before long depositors would receive free of tax more or less what they now receive after tax, and borrowers would pay without tax relief, more or less what their payments amount to now, and the Inland Revenue would have less work to do. Some, no doubt, would argue that then depositors would be

### Index-linked pensions

From Mr. G. Parker

Sir.—Again I must comment on the points raised by Mr. Webb Ware. This time I do not go into the letter of November 23. If Mr. Webb Ware cares to respond to my previous correspondence, he will see that I have never referred to public-sector pensions as being "inflation proof". I have always used the term "index-linked". Whether the system is referred to loosely or precisely, it is unfairness that is being criticised. Unfair because it is the "entitlement" of a minority of the working population paid for by the remainder. Unfair because the rest of us cannot buy such a pension at our price even if the Inland Revenue permitted it to be paid as "earned" income.

Mr. Webb Ware states that "without knowing the extent of future rates of inflation and taxation, nobody can say how pensions should be funded or otherwise provided for." Does this mean that those in non-pensionable posts do nothing, and just rely on the old age pension?

There are millions of people who wish to retire on something better than the D.A.P. They pay premiums into various forms of pension schemes and the premiums they receive are related to annuities and not to final pay. Mr. Webb Ware may like to know that I have done his "instructive exercise" many times and will end up with a gross income of rather under £4,000 p.a. of over £65,000 in 30 years' time if inflation averages 5 per cent and per annum over 20 years is enough to make one feel next to helpless—which brings us right back to the unfairness of the public-sector pension scheme.

I agree that inflation and excessive taxation are our real enemies. But this does not excuse discrimination in favour of self-employed and those in non-pensionable posts. We are not in the same boat. Mr. Webb Ware. Some boats are leaking faster than others.

G. A. Parker,  
27, London Road, Bromley, Kent.

### £500 a year in 1992

From Mr. C. Argue

Sir.—If I may be permitted to join your correspondent, Mrs. Tuckwell, (November 27) on the subject of inflation proof pension, and put forward a suggestion to solve the problem of funding in those of the private sector, in order to provide a pension for all.

It will be apparent that private industry is already so overburdened by the high cost of taxation, rates, national insurance contributions, interest rates, and so forth, that to be called upon to provide additional finance for the pension—will only serve to create additional resentment, unemployment and closures. Would it be too simple a solution for the funding to be provided by a profits tax relief equivalent to the cost of the additional premiums?

Mr. John Pardoe, MP, has said that at the present rate of inflation a civil servant at 60 this Christmas in receipt of a pension of £3,000 would be paid a pension of £15,000 at 75. On this sum of £15,000 at 75. On this

### Falling buying power

From Mr. H. Cole

Sir.—W. Webb Ware (November 23) is himself causing quite unnecessary alarm. Let us take the example he suggests and follow it through. An employee about the average salary to GLC staff will end up with a gross income of rather under £4,000 p.a. of over £65,000 in 30 years' time if inflation averages 5 per cent and per annum over 20 years is enough to make one feel next to helpless—which brings us right back to the unfairness of the public-sector pension scheme.

But if current tax rates remain unaltered, income tax will take about £45,000—and the purchasing power of what remains will be under £1,000 at today's prices. And the national insurance and index-linked tax rates at their present rates they will be more than absorb the balance anyway. So it is complete fantasy to invite us to believe that income tax will ever absorb three-quarters of the national income.

Mr. Webb Ware also seems to persist in his delusion that an indexed pension, linked to the cost of living but adjusted in arrears will see its purchasing power progressively reduced (over and above any effect due to higher marginal rates of tax). This is not so.

If he starts, for example, with a pension 10 per cent below the value indicated by the price index, and inflation proceeds at 10 per cent per half-year, in three years' time will stand at 177. His pension, one jump behind, will only be at 161, but it is still 10 per cent lower—no more.

H. R. Cole,  
Clifton Road, Winchester.

### Airing the problem

From Mr. C. Kenneth Benda

Sir.—It occurs to me that it must be other, although I hope not many, "casualties" of take-over bids and asset-stripping who like me, are forced to watch their life savings being eroded at an ever-increasing pace largely because their company pensions were fixed a decade or more ago

### London's civil service

From the Leader of the Opposition, Greater London Council

Sir.—Do I detect that Joe Royall (November 23) is shifting his ground ever so slightly over his wish to see the GLC abolished? Is he now agreeing so that the chairman will be exempt from retirement in rotation. This will give me, as a shareholder, an opportunity to give this matter a much-needed airing. Otherwise, of course, attention could be drawn to the inequity only by calling a special general meeting involving expense beyond the means of most on the retired list.

C. Kenneth Benda,  
Flat 30,  
Abingdon Court,  
Abingdon Villas, W.S.

### GENERAL

Cabinet resumes discussion on loan by International Monetary Fund

House of Commons debates Government motion tabled by Mr. Michael Foot, Leader of the House, and Mr. Eric Varley, Industry Secretary, seeking to suspend standing orders on question of Aircraft and Shipbuilding Bills' hybridity prior to its second reading.

Public service pensions increase by 13.8 per cent.

President of EEC Commission begins two-day visit to Belgrade to examine possibility of strengthening links between Comecon and Yugoslavia.

Meeting of CBI Smaller Firms Council and Employment Policy Committee.

House of Commons: Aircraft and Shipbuilding Industries Bill, second reading.

PARLIAMENTARY BUSINESS

House of Commons: Airframe Industries Bill, second reading.

Commons Select Committees (meeting in public), Expenditure Committee.

COMPANY MEETINGS

Bryant Shirley, Solihull, 3.30 p.m.

Scottish and Continental Investments (Trade and Industry Sub-Committee).

### To-day's Events

Sir Robin Gibbet, Lord Mayor of London, attends Freedom ceremony for Mr. J. E. Bartholemew (Eric Morecambe) and Mr. Wiseman (Ernie Wise), Guildhall.

Commonwealth Science Council meeting continues, Colombo.

Council of Copper Exporting Countries meeting continues, Santiago.

House of Lords: Debate on Queen's Speech—distance and foreign affairs.

COMPANY RESULT

Fairley (half-year).

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# COMPANY NEWS + COMMENT

## Sterling depreciation boosts Rothmans

UP £8.95m. to £29.15m., midway. pre-tax profits of tobacco manufacturers, Rothmans International benefited from the continued depreciation of sterling.

The depreciation increased not only the sterling value of the related foreign currency earnings from exports but also the sterling value of the profits of overseas subsidiaries and associates. After taking into account bond interest, the conversion of these overseas profits at current rates compared with those applicable in September 1973 has contributed £3.5m. to the increase in profit.

Overall sales performance was in line with the comparable period in 1975, with improving trends in sales of the group's international brands of cigarettes offset by lower sales in certain areas mainly due to general economic conditions in those markets. In the U.K. there have been satisfactory volume increases while the strong growth in export sales has been maintained.

The interim dividend per 12·1p share, net of tax from 0·6p to 0·65p net at a cost of £1.02m. (£0.94m.). The directors forecast a 1.323p total for the full year. Last year's total was 1.6375p from profits of £40.4m.

Inclusive tobacco duty and all other state taxes where applicable, but excludes VAT. Figures in turnover are influenced by exchange rates and base in the U.K. and elsewhere, where they carry on business and accordingly do not necessarily reflect the changing volume of transactions. On successive lines:

### HIGHLIGHTS

Lex takes a look at the Morpeth report on Current Cost Accounting as well as the Stock Exchange inquiry into share-dealing in Suits along with other related matters. Elsewhere, profits are well ahead at ICL and, for the first time for five years, the company has paid more than a nominal dividend. It appears that the dividend for the year at Swan Hunter is safe but the current work load suggests a difficult road ahead. Rothmans has seen a sharp increase in profits at the half-way stage thanks to the help of currency movements, while at Alfriston the first half has apparently suffered from the hot summer but some upturn in activity is now being seen. Once again the engineering division at Ropner has saved the day and, with growth in insurance broking, overall profits are 50 per cent. higher.

The figure for the year to April 30, 1976 was £200,021. For the six months taken, £11,581, leaving available for Ordinary holders £55,857 (£91,900). The interim dividend, already declared, is 1p (1.075p) per 25p share costing £76.238 (£46.889). Last year's total was 1.235p.

A REDUCTION from £431,440 to £200,734 in group pre-tax profit is reflected by Wheway Watson Holdings, chainmakers, engineers and forgers, for the 26 weeks ended October 20, 1976, but figures for the second half are expected to show an improvement.

The interim profit was overshadowed at the annual meeting Mr. W. Gibson-Bignell, chairman, indicated that there would be a significant reduction in demand for the products from the Walsall subsidiary, Wheway Watson (CM) and by the end of September production had been reduced to the lower levels resulting in some redundancies, he says. It is anticipated that there should not be a part of stability at these works.

Felco Hoists and Wheway Watson (EB) had a good second half trading period and given a continuation of the present improved trend of industrial orders the chairman feels that group profitability for the second six months should show some improvement on the first half performance.

The Interim dividend is unchanged at 27·5p on increased capital and consideration of the final will be deferred until the full year results are available—last year's total was 0·75p paid from profits of 883,578.

The directors point out that as a result of a change in presentation in respect of investment and associates the figures for 1974-75 are not comparable with those for 1973-74.

Turnover amounted to £7.50m. against £5.38m. After tax of £332,448 (£247,337), there is a loss of £11,721 (£214,340 profit) before deducting an extraordinary debit of £187,886 (£186,386 profit). The loss per 25p share is 0·4p (3·96p earnings).

There is again no dividend—the Preference is in arrears from May 31, 1974.

Referring to the sale of 50 per cent. of Skinner Manufacturing the chairman says that while this will assist the re-establishment of a proper working capital basis, additional sales of long term investments are necessary to provide the working capital he considers necessary.

### Wm. Jacks turns in £233,527

FOR THE year ended June 30, 1976 William Jacks & Co., overseas traders, car distributors and retailers, reports a profit of £233,527 including associate profits of £23,380. For 1974-75 a profit of £461,987 was turned in, including £234,548 for associates.

The directors point out that as a result of a change in presentation in respect of investment and associates the figures for 1974-75 are not comparable with those for 1973-74.

Turnover amounted to £7.50m. against £5.38m. After tax of £332,448 (£247,337), there is a loss of £11,721 (£214,340 profit) before deducting an extraordinary debit of £187,886 (£186,386 profit). The loss per 25p share is 0·4p (3·96p earnings).

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### Westpool Trust

'Income, including imputation credit (after interest and management expenses) of Westpool Investment Trust amounted to £142,787, against £140,700, for the half year to October 31, 1976.

Administrative problems at Chown Securities have delayed the accounts for the year ended June 30, 1976, and they cannot be despatched in time for holders to receive them 21 days before May 31, 1976.

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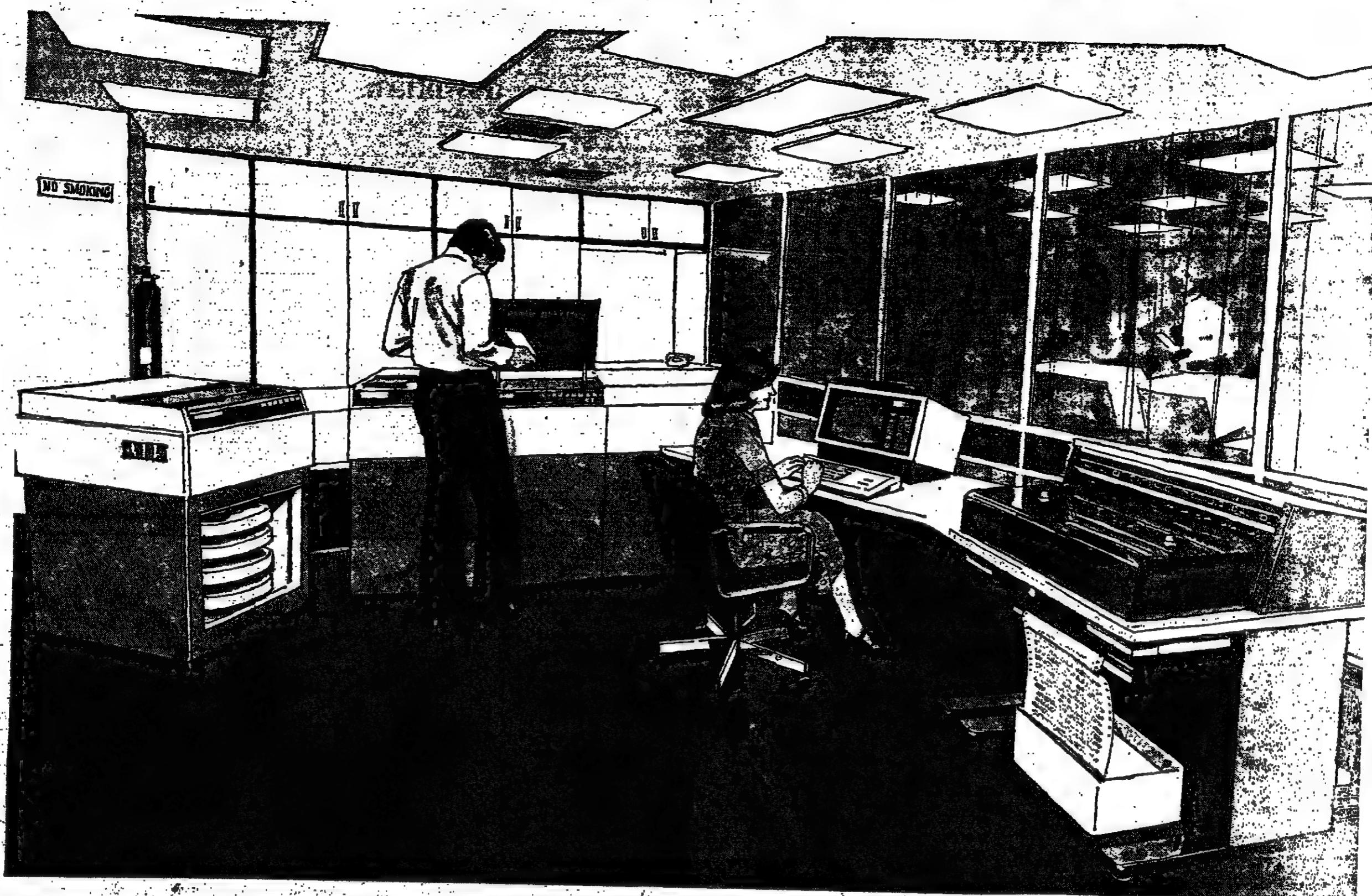
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جامعة العلوم

# "JLW COMPUTON"



## SPEED, ECONOMY, SECURITY

The essentials for Property Portfolio Valuations.

The new "JLW COMPUTON" Service represents a combination of sophisticated technology applied to professional judgements designed to meet current requirements for portfolio analysis and asset valuations.

A brochure outlining the services provided by "JLW COMPUTON" is available on request from  
103 Mount Street, London W1Y 6AS.

**JONES LANG  
WOOTTON**  
Chartered Surveyors  
International Real Estate Consultants

29 offices in 15 countries: Europe, Australia, South East Asia, Middle East, North America.

# Swan Hunter up by £1.41m. at halfway

FIRST-HALF 1976 turnover of Swan Hunter Group increased from £70.7m. to £74.98m., and profit advanced from £2.35m. to £5.76m., subject to a substantially increased charge of £1.96m. against 20.4m.

Notwithstanding current difficulties, the results reflect improved profitability and it is anticipated that the results for the second half will be less satisfactory, the directors state. Turnover for the year 1975 was £143.51m. and profit £11m.

Earnings per £1 share for the half year were 9.83p (against 10.50p or 1.03p after extraordinary items) and an unchanged interim dividend of 3p net is being discussed. All contracts have been completed or terminated, so far as the group has been concerned, and the terms of its 25 per cent holding in Swan Maritime.

The terms of the group's withdrawal are satisfactory and in particular they secure the major part of the investment in Swan Maritime and all sums due by Swan Maritime to Swan Hunter Shipbuilders, including amounts due in respect of contracts which had been cancelled.

## Comment

Up 15 per cent to 39p yesterday, the Swan Hunter share price could be in for one of its periodic bouts of activity.

The Government's decision not to renew its dividend is safe; and the

1976 balance will apparently show that cash levels (which stand at around £5m. net of debt in December) are little changed.

Just what the shipbuilding

slump will do to earnings in 1977

is still anybody's guess, and with

turnover in 1976 unlikely to climb

much above £50m., it is clear

that SH has no extra demand on

its hands. But last year's loss-

maker (marine and general

engineering) is out of the red

and there is no indication that

this year's profits upturn due

to a clawback of any of last year's

provisions. The market capitalisa-

tion is 27.2m.; and the yield is

25 per cent.

On dividend policy, the direc-

tors say that the Treasury will

permit a return to the former

gross annual dividend of 12.5p

either all in one year or by one

or more stages.

After reaching that level the

company would be subject to the

current 10-p cent. limitations.

The directors consider it wise to

continue the high rate of earn-

ings retention, particularly in to-

day's highly uncertain economic

climate and they therefore recom-

mend a final of 4.5p net making

5.2p compared with 0.65p equal

to 10.75p gross.

Full year earnings are shown

at 38.5p per £1 share compared

with 24.2p before, and 27.48p

after, an exceptional item.

Turnover ..... 74,524 70,783 135,805

Taxation ..... 2,725 1,011 2,245

Share 25% divs ..... 352 254 711

Profit before tax ..... 3,768 3,246 5,105

Taxation ..... 1,333 978 853

Net profit ..... 1,435 1,268 3,252

Dividends ..... 1,343 1,237 2,683

Attributed ..... 7,543 190 1,463

\* After deducting £12,339.00.

Cost of the interim dividend is

£531,000 (same).

The Government's decision not

to renew its dividend is safe; and the

## Stewarts & Lloyds of South Africa Limited

(Incorporated in the Republic of South Africa)

### GROUP RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 1976 AND DECLARATION OF DIVIDENDS

Audited results of the Group for the year ended 30 September 1976 with comparable figures for the previous year are as follows:

	Year Ended 30 September 1976	Year Ended 30 September 1975
Sales .....	£100,000	£100,000
Operating Surplus before tax .....	207,866	204,987
Taxation .....	7,191	8,524
Income after taxation .....	10,890	12,917
Less applicable to minority share-holders .....	732	519
Net Income before extraordinary item .....	10,158	12,398
Surplus arising on disposal of non-trading assets .....	13	166
Net Income .....	10,171	12,564
Retained income at beginning of the year .....	11,790	9,302
	21,970	21,866
Earnings per ordinary share .....	45.9 cents	54.9 cents

This has been dealt with as follows:

Distributable Reserve .....	7,000	6,000
Non-distributable Reserve .....	13	204
Preference dividend .....	.36	.36
Ordinary dividend of 17 cents per share on 22,510,533 shares (1975—17 cents) .....	3,827	3,827
Retained income at end of the year .....	10,876	11,067
11,094	11,798	
	21,970	21,866

The interim dividend is lifted from 0.5p to 0.9583p per 25p share and a final of the same amount is intended for a maximum permitted 1.9075p (£1.7424p) total.

The directors have decided to maintain a dividend of 17 cents per share.

The Group's Annual Report will contain a statement showing the estimated effect on the results of the change in the purchasing power of money.

On behalf of the Board  
H. C. KUIPER Director  
T. M. KING Director

### DECLARATION OF DIVIDENDS

Notice is hereby given that the undermentioned dividends have been declared:

Preference dividend. A dividend of 8% per annum for the six months ending 31 December 1976 payable to the holders of six per cent first cumulative preference shares registered in the books of the company at the close of business on 17 December 1976.

Ordinary dividend No. 45. A dividend of 17 cents per share for the financial year ended 30 September 1976 payable to holders of ordinary shares registered in the books of the company at the close of business on 17 December 1976.

The preference and ordinary dividends are declared in the currency of the Republic of South Africa.

In terms of the South African Income Tax Act, 1926, as amended, the dividends are subject to the deduction of non-resident shareholders tax. The tax will be deducted at the applicable rate in the case of shareholders whose addresses in the share register are outside the Republic of South Africa.

Registers of members, including the United Kingdom Office preference share register, will be closed from 18 December to 31 December 1976 both dates inclusive.

Dividend warrants will be posted to shareholders on or about 5 January 1977.

By order of the Board  
E. A. JOHNSON Group Secretary

22 November 1976  
Registered Office  
Cor. Voortrekker Street  
and Rhodes Avenue  
(P.O. Box 74)  
Vereeniging  
1930  
South Africa  
United Kingdom Office  
Kennedy Tower  
St. Claude  
Queensway  
Birmingham B4 6WF  
England

## The S+L Group

### TO THE HOLDERS OF

### Popular Español International N.V.

In accordance with the provisions of the above Notes, Bankers Trust Company, as Fiscal Agent therefor, has established the Rate of Interest on such Notes for the semi-annual period ending May 31, 1977 as five and seven-eighths percent (5 7/8%) per annum. Interest due on such date will be payable upon surrender of Coupon No. 9.

BANKERS TRUST COMPANY,  
Fiscal Agent

DATED: December 1, 1976

# ICL advances to £23m. and pays 5.2p net

## BOARD MEETINGS

The following companies have notified dates of Board meetings in the Stock Exchange. Such meetings are usually held for the purpose of consideration of dividends. Official notices are not available whether dividends concerned are interim or final. Dividends are not liable to stamp duty.

TUESDAY  
Imperial Alpine Soft Drives, British Indian Tea, Carding Group, E. British Textiles, Morris Grapnel, Parkland Fibres, Wimpey.

Wednesday—Avea Rubber, Glomar Investment Trust, Jelco Ltd, London Scottish American Trust, Medmenster, New Court European Trust.

INTERIM — FUTURE DATES

Amcor Crayon ..... Dec. 12  
Basset (Graze) ..... Dec. 12  
Byerslode Gold Mining ..... Dec. 12  
Clydesdale Miller ..... Dec. 12  
Crown House ..... Dec. 12  
Lyons G.J. ..... Dec. 12  
Michael Somes ..... Dec. 12  
Smiths ..... Dec. 12

COMPANY — FUTURE DATES

Turner ..... 26.337 29.771  
Share associates ..... 413 523  
Depreciation ..... 38,164 38,004  
Interest ..... 2,685 21,288  
Trade profit ..... 5,506 5,180  
Linier Concrete Machinery ..... Dec. 9  
MPCF ..... Dec. 9  
National Engineering Agency and Music ..... Dec. 9  
North Midland Construction ..... Dec. 9

Singer business machines activities leads them to expect worldwide increases in both turnover and profit in 1977.

Turnover some 47 per cent. (42 per cent.) came from overseas, mainly in continental Europe, namely, rentals and services. Overseas turnover represented 40 per cent of the total and was 23 per cent higher while the U.K. increase was 18 per cent.

Overseas operations again showed healthy improvement in the period which for the first time included profit contributions from Germany and North America.

On currency conversion, the Board states that foreign exchange effects of trading transactions are dealt with in the profit and loss account and adjustments arising from the conversion of assets and liabilities are taken directly to profit or loss.

The favourable effect on the 1975-76 profit was £2m. (50%).

There was a net charge to reserves of £2.8m. largely due to foreign exchange effects on overseas borrowings (charge £12m.).

On the future, the directors say that the company has ended 1976, a year of solid progress, with the opportunity to do even better in 1977.

A healthy order book and the strength added from the former

divisions make Roper's changes

incurred by an associated company, Graytown Property Holdings, which amounted to £83,000 for the six months ended September 30, 1976.

The directors say that owing to seasonal factors, which affect sales of Hazelock garden equipment especially, slightly lower profits are expected in the second half, but full-year profits should continue the significant advance over previous years. In the year to March 1976, profits were a record £1.77m.

The interim dividend is lifted from 0.5p to 0.9583p per 25p share and a final of the same amount is intended for a maximum permitted 1.9075p (£1.7424p) total.

The directors have decided to maintain a dividend of 17 cents per share.

The Group's Annual Report will contain a statement showing the estimated effect on the results of the change in the purchasing power of money.

On behalf of the Board  
H. C. KUIPER Director  
T. M. KING Director

The group share of the loss

of continuing its consistent profits record look reasonable. At 33.1p, the shares yield a prospective 13 per cent.

## Titaghur Jute £0.58m. deficit

Titaghur Jute Factory Co. incurred a pre-tax loss of £276,450 for the year to June 30, 1976 compared with a deficit of £270,145 for the previous 18 months. The U.K. operations achieved a profit of £10,677 against £158,061 but there were losses of £867,127 (£860,206) on the Indian side.

The loss per £1 share is given at 41.2p (£1.4p) and once again there are no preference dividends.

U.K. turnover ..... 2,479,777 2,389,003  
Overseas turnover ..... 20,367,125 19,502,503  
U.K. profit ..... 110,677 188,061  
Indian loss ..... 867,127 860,206  
Total profit ..... 571,081 860,206  
Net loss ..... 571,081 860,206  
Loss attributable ..... 571,081 860,206

\* After depreciation and other charges including possible losses on forward contracts.

## RECENT ISSUES

### EQUITIES

Issue	Price	Amount	Price	Amount	Stock</th



**Bulmer & Lumb (Holdings) Limited**

The Wool and Synthetic Textile Group

**Interim Statement**

Unaudited results of the Group for the half year ended 3rd October 1976

	1976	1975	Year to
Group Turnover	10,214,790	8,577,982	14,384,758
Trading Profit	666,433	384,244	1,029,349
Interest payable	59,495	42,243	82,177
Depreciation	146,250	141,340	322,750
Profit before tax	450,888	200,681	624,412
Taxation	243,000	104,450	295,000
Profit after tax	217,888	96,211	329,412
Earnings per share	2.52p	1.10p	3.80p
Extraordinary profit after attributable tax		72,815	74,990
Preference dividends	1,750	1,760	3,500
Ordinary dividends	105,207	95,582	217,112

An interim dividend has been declared of 12.25p per 20p share £108,207, payable on 24th January 1977 (previous year 11.25p per share £98,552).

The improved trading conditions referred to in the Annual Report have been maintained. It is expected that the total dividend distribution for the year will be increased by the maximum permitted under present legislation.

**Bulmer & Lumb (Holdings) Limited,**  
Buttershaw, Bradford, BD6 2NE.

**F. COPSON CO. LTD.**

Builders and Plumbers Merchants  
Sanitaryware and Central Heating Supplies

**Record profits again achieved**

E. Copson (Chairman and Managing Director)

It is indeed gratifying to be able, once again, to report record profits. The group profit before taxation is £151,605, an increase of £34,000 (23%) over last year. Group turnover increased by £504,808 (31%), to £2,366,374. The results are particularly pleasing in these troubled economic times.

Both sides of our business have continued to make steady progress... The sanitary ware section fortunately holds major contracts and the heating side has improved its position in the private sector. Considerable effort will be required in both sectors and this will be forthcoming.

Our subsidiary company, Osby, Warr Air Limited, has again produced record profits which we anticipate will be maintained for the current year. Every effort is being and will be made to ensure the continued profitability of this company.

If it's impossible to assess prospects for the future, we can however, take some comfort from the fact that our turnover to date during the current year shows an improvement over the corresponding period of the year under review. Every effort will be made to maintain and improve both turnover, and profits and I shall be surprised and disappointed if these do not materialise.

**Rowlinson**

Mr. P. J. Rowlinson,  
Chairman, reports on  
the half-year ended  
30th September, 1976:

- ★ Profit £602,700 against £321,300.
- ★ Second half expected to show a slight increase.
- ★ Best half-year yet for Industrial and commercial division.
- ★ Funds available for further industrial estates.
- ★ Interim dividend 6.6% maximum possible.

**Rowlinson Constructions Group Ltd.,**  
Ann Street, South Reddish, Stockport, SK6 7PR.

**MINING NEWS**

## EZ Industries is cautious

BY KENNETH MARSTON, MINING EDITOR

AUSTRALIA'S zinc-producing EZ Industries may gain only modestly in its pre-tax profits in the coming year to June 30, despite the country's development. Our correspondent reports that at the Melbourne annual meeting the chairman, Sir Edward Cohen, said that the devastation should produce some benefit in the second half but it costs continued to increase, the results for the full year would be no better than in 1975-76.

He also intimated that zinc production which was recently stepped up from 80 per cent to 90 per cent of capacity, could be cut back again if world demand did not improve. Indications of an improvement had failed to be adduced and stocks were still high. "We are keeping a careful watch on movements and trends in all markets to ensure that we do not suffer another rapid build-up of stocks with the consequential drain on liquidity," said Sir Edward.

He revealed that resources at the Elura silver-lead-zinc deposit in New South Wales had increased from 22m tonnes to more than 27m tonnes with grades being maintained. The company hoped to be in a position to declare a dividend by the end of 1978 on construction of a smelter and concentrator.

However, the Golden Grove copper deposit in Western Australia, with reserves of 13.5m tonnes averaging 3.58 per cent copper would not be feasible until there was a substantial increase in the copper price. Three years ago this industry would have been profitable despite high infrastructure costs.

The meeting was enlivened by a large turn-up of proxy holders from Church and conservationist groups opposed to EZ's potential participation in the Ranger uranium project in the Northern Territory. Unions students and women's groups were also represented. Despite their opposition they gained no information on a possible development of Ranger where the partners are still waiting on a second report from the Government-appointed Ranger environmental inquiry.

EZ Industries fell 20p to 330p yesterday.

### CRA TAKE-OVER OF AM & S

The Rio Tinto-Zinc group's Canadian Mining of Australia has secured control of one of the lead-zinc-silver producer Australian Mining and Smelting. A deal announced in October offered one CRA share for one AM & S share and covered the 26.5 per cent of the AM & S equity not already owned by CRA.

CRA announces that it has received acceptances for 94.8 per cent of the shares subject to the offer, which was worth some \$1.2m at the market price, prevailing in October.

The CRA deal is to defer the EZ24 holding in CRA. Before the merger this was 80.3 per cent. Now it is 72.6 per cent. RTZ were 14.6p yesterday and CRA were 220p.

### COURT DECISION ON LONRHO PLAN

Disident minority shareholders of Witbank Consolidated have failed in the first stage of their legal battle to prevent the merger of Witbank and Twofontein United Collieries under the umbrella of Durban Exploration.

An application brought by Field-Zwart Consultants to prevent the application of resolution passed at a general meeting earlier this month in favour of merger was dismissed in a Johannesburg court yesterday. Reports our correspondent.

### U.S. OPEN-CAST COAL RESERVES

More than 15 times as much energy is contained in the coal deposits of the American states of Wyoming, Montana and North Dakota as in the oil and gas reserves of Alaska's North Slope, according to a report of the U.S. think-tank, the Rand Corporation.

Rand states that the proven coal resources of the three states are 78.7bn. tons, of which three-quarters is of low sulphur content. The deposits are developed by open-cast mining.

To avoid conflict over the regulation of open-cast mining, Rand suggests that the state and federal authorities should share control "with no single interest considered to be predominant."

### MORE BOTSWANA DIAMONDS

Opening the Botswana Parliament in Gaborone yesterday Sir Seretse Khama mentioned the earlier announced expansion of the De Beers-Botswana Government joint venture Orapa diamond mine. Production is to be raised from the present annual rate of 2.35m carats to 4.5m carats by the end of 1978 at a cost in the region of R28m (£19.5m).

He also said that development of the nearby R22m (£15.8m) Letlhakane diamond mine is completed and that its diamond output is expected to reach about 200,000 carats next year on the way to an eventual annual production of about 320,000 carats. The small newcomer has a high gem diamond content of around 40 per cent, gems, the rest being of industrial grade diamonds.

### Grounds for Investment?

See Eurocharts  
Coffee on  
Page G7/G8

EUROCHARTS  
INFORMATION SERVICE

**BIDS AND DEALS**

## Hepworth Ceramic U.S. purchase

Hepworth Ceramic has agreed a large capital). With the 176,450 share purchased during the offer Dickie Clay Manufacturing and the U.S. which makes and distributes vitrified clay sewer pipes and other clay products in the southern and mid-western states.

In its last financial year it was the plan that set off the arguments in the first place.

Our Johannesburg correspondent adds, however, that the court has recovered its Zwartdeeps deposit to the original decision of Lonrho's plan to consolidate its South African coal interests. It was this plan that

was to acceptances and remains open.

Dickie Clay has agreed a \$12.2m (£7.5m) offer for W.S. Armstrong now holds or has received acceptances in respect of 53.9% per cent of the enlarged capital. The ordinary offer has become unconditional as to acceptances and remains open.

**RACAL INJECTS \$6.7M INTO U.S. GROUP**

Racial Electronics and Milgo Electronic Corporation of the U.S. have reached an agreement for Racal to subscribe for \$12,000 share in a single issue at a price of \$21.50 a share, a total consideration of \$6.7m.

Racal and Milgo will complete the transaction as soon as the new share have been approved for listing by the New York Stock Exchange.

It is proposed that the two companies will be merged into a foreign corporation borrowing which has already been arranged.

Milgo has an existing capital of 1,883,711 shares and the proposed purchase will give Racal 100 per cent of the new total capital.

In 1976 Racal and Milgo formed a jointly owned company, Racal-Milgo, based in England. Racal-Milgo has a marketing and manufacturing franchise for Milgo electronic equipment covering Europe, Africa and the Middle East and is stated to be the largest supplier of high-speed data modems in these territories. Its turnover for the year ended March 31, 1976, was \$10m, and pre-tax profit approached \$m.

Milgo Electronic of Florida, is a leading specialist in data communications and computer peripheral equipment. Its profit for 1975-76 was \$3.6m, down from \$4.2m.

Racal's executive directors towards the middle of December to give a report on the value of the company's assets which the executive directors and auditors will support a value of Ordinary shares well in excess of the Ordinary offer.

He will also give an indication of the company's results for the year to September.

It is stated that the executive directors advised by Barclays Merchant Bank, "strongly recommend both Ordinary and Preference shareholders to take action on Lonrho's offer."

**MARLEY NOW HAS 29.7% OF GOMME**

Marley, the building products concern, has stepped up its stake in the Gomme Holdings furniture group from 34 per cent to 37.9 per cent.

Mr. John Pollard, finance director of Marley, said yesterday that an opportunity had arisen to purchase the shares, which he regarded as a good investment, but there were no plans to move above this level at the moment—thus triggering a take-over bid.

The shares of Gomme, which recently reported a robbery in 1975-76 of £1.5m to £1.8m, ended unchanged on the day at 81p.

### CRANE'S SCREW

Armstrong Equipment's offer of the Ordinance capital of Crane's Screw (Holdings) has been accepted in respect of 1,130,060 shares (45.30 per cent. of the an-

shares) and is subject to review in 1980.

The is luxury flats in Clerkenwell which form part of the development have been retained by the developer at a peppercorn rent and these will be sold individually.

The accounts show that an ex-gratia payment of £8,500 was made to the firm in 1975.

The extensive programme of re-equipment and re-location of machinery as part of a general rationalisation scheme proved extremely expensive during a year not enjoyed for a number of steeply rising costs.

Orders on hand guaranteed for all divisions, capacity operation for several months of 1977, he said, a situation which the group

had not enjoyed for a number of steeply rising costs.

Members' years.

## Better trend for Common Bros.

COMMON BROTHERS says that the major task of 1975-76 has been to deal with severe cash flow problems following the collapse of Newfoundland Refining Company, a trading partner.

In the interim statement provisions were made of £175,000 against amounts due from NRC and £400,000 for compensation in connection with rights to certain long-term charters for the two newsprint carriers. Following the advantageous deployment of one of these vessels it has been possible to reduce by £200,000 the contingency reserve created in April. The total now charged to profit and loss account of these items are the provision of £8,000.

The chairman says that the flexibility thus gained by the backlog of fleet market values substantially above book value down to £1.5m enabled short-term charter facilities to be obtained to bridge the cash flow shortfall. And it has been possible to redeploy the two newsprint carriers on better terms.

The market value of the 2100 fleet (excluding my Afghanistan and my Kurdistan) is estimated at £35m at current exchange rates. A 10% liability of £3.5m would arise if the fleet were sold without replacement at this valuation and, in addition, partial repayment of investment grants would be required, although this would be less than £1m if the net proceeds of this sale increased the net asset value to about £50m compared with £18.2m at June 30.

Loans at the year end stand at £19.2m (£7.49m) after deducting £1.5m (£1.5m), being instalments which were due within 12 months, which are included under the heading of bank overdrafts.

Meeting of the company 11 a.m. which Skan Hunter holds 18 per cent. and Monteith Investment Trust 18 per cent. is at Newcastle upon Tyne, December 22 at 11 a.m.

## Lister looks for improvement

In his annual statement, Mr. E. Kornberg, chairman of textile company now has a group of mills equipped with modern efficient machinery, which should enable it to compete in all areas of its textile activities, and expand production in its traditional and new products.

Efforts are being directed towards defending the company's position, and while it is impossible to make any forecast, the order book and improved efficiency encourages the Board to look for improving results in the not too distant future.

As reported on November 13, there was a loss of £64,000 for the year to March 31, 1976, compared with profits of £12,000 and the dividend is cut from 2.5p to 0.1p net per 25p share.

A statement of source and application of funds shows an increase in bank overdrafts of £1,805,000, only by taking into account the considerable improvement of conditions in which the company is operating compared with the previous year.

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Members' years.

### Better trend for Lawtex

Mr. G. M. Schaefer, chairman of Lawtex, the clothing and umbrella manufacturer, told the annual meeting that payment of a dividend had become justified only by taking into account the considerable improvement of conditions in which the company is operating compared with the previous year.

Orders on hand guaranteed for all divisions, capacity operation for several months of 1977, he said, a situation which the group

had not enjoyed for a number of steeply rising costs.

Members' years.

### CONSOLIDATED BALANCE SHEET

September 30, 1976\*

# REPORT TO INVESTORS from a company called TRW

## TRW Reports Record Third Quarter and Nine Months.

TRW Inc., an international supplier of high technology products and services, reports record third quarter sales, earnings, and earnings per share.

Third quarter sales were \$708.2 million, 12% increase over 1975 third quarter sales of \$629.8 million.

Earnings after taxes and earnings per share each rose about 11%, reaching \$32.4 million or \$3.98 per share compared with \$29.2 million or \$3.88 per share a year ago.

For the nine months, TRW posted sales of \$2,174.5 million compared with \$1,905.7 million a year ago.

Net earnings reached \$96.7 million or \$2.93 per share compared with \$72.6 million or \$2.13 per share for 1975's first nine months.

TRW operating units serving worldwide automotive original equipment and replacement markets paced the company's performance in the quarter. Good results were also reported by units serving

**TRW STATISTICAL SUMMARY**  
(Dollar amounts in millions except per share data)

THIRD QUARTER	1976	1975 (Restated)
Sales.....	\$ 708.2	\$ 629.8
Pre-Tax Profit.....	66.7	50.7
Net Earnings.....	32.4	29.2
Earnings Per Share		
Primary.....	.98	.88
Fully Diluted.....	.89	.80
Dividends Per Common Share.....	.35	.30
NINE MONTHS		
Sales.....	2,174.5	1,905.7
Pre-Tax Profit.....	190.4	130.0
Net Earnings.....	96.7	72.6
Earnings Per Share		
Primary.....	2.93	2.13
Fully Diluted.....	2.64	2.01
Dividends Per Common Share.....	1.00	.90
Common Shares		
Outstanding.....	27,602,000	27,451,000
Average and Equivalents.....	28,512,000	27,885,000

commercial data communications, spacecraft and aircraft markets.

If you would like further information on TRW, please write for a copy of our latest Quarterly Report: TRW Europe Inc., 25 St. James's Street, London SW1A 1HA.

**A COMPANY CALLED  
TRW**

TRW technicians integrate experiments into the High Energy Astronomy Observatory due to be launched next year. The satellite will look at objects in the invisible, high-energy universe with x-ray and gamma ray instruments.

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Limited Limited Limited

Vereins- und Westbank Aktiengesellschaft  
Westdeutsche Landesbank Girozentrale

## INTL. FINANCIAL AND COMPANY NEWS

# Commission backs public appointees on bank boards

BY FAY GIESTER

A ROYAL COMMISSION which has been studying ways of reforming Norway's commercial banks to make them more democratic to-day delivered its report to the Minister of Finance, Mr. Per Kleppe.

Headed by a former Foreign Minister, Mr. Andreas Cappelen, the 17-member committee has taken nearly two years to reach its conclusions and is not unanimous on all of them. A majority, however, has one basic innovation—increasing the number of public appointees in the banks' representative councils so that shareholder-elected representatives would be in a minority.

The Commission does not recommend a State take-over of the banks and assumes that the state will not sell any shares it has to buy from disgruntled shareholders. Critics here have pointed out that if the State could not, or will not, sell the shares it has to buy, this could lead to backdoor nationalisation.

The representative councils should also be given greater authority. They should lay down the basic guidelines for the bank's activities, though decisions on credit applications should continue to be taken by boards of directors.

Since the proposed reform would effectively disenfranchise shareholders, the report recommends that those who wish

Amex fears over U.S. corporate finance

By Pauline Clark

Fears that U.S. companies' plans to equip themselves for a continuation of the economic recovery next year may be seriously injured by inadequate financial support were voiced yesterday by the research department of the London merchant banking arm of one of New York's leading financial corporations.

Analysts at the Ameri-Express subsidiary of American Express claimed in a new study of current investment trends that a major shift in investor taste was becoming evident. Investors were now moving away from equities into bonds and as a result U.S. companies were likely to feel gearing constraints on their capital investment programmes.

According to the bankers, caution among potential corporate investors in fixed plant and equipment had already resulted from a number of developments in the financial markets. Greater volatility in the equity market was one reason for the mood of caution as was the generally depressed prices of equities in historic terms. A decline in the proportion of equity in individual portfolios was also detectable alongside a rising ratio of public debt issues. In addition, a decline in the proportion of profits to national income had taken place and the corporate sector was already suffering rising debt/equity ratios.

One of the chief features to emerge from the study was the tendency of some investors to regard the equity market as the greater area of risk, which was attributed to the greater volatility seen in equity prices in most major economies since the market peaked in 1973. Moreover, underlying volatility in equity markets, the study argued, implied greater volatility of the macro-economy.

The increased aversion to risk on the part of investors is illustrated by the researchers' measurement of the volatility relative to their historic levels. Taking the U.S. and West German markets as well as that of the U.S., it was pointed out that yields were higher than would be expected on forecast earnings while price-earnings ratios were lower. Low revenue yield gains in all three markets were also though indicative of the trend.

Against this background, the researchers stated, a general reassessment of the proportion of portfolios held in equity had taken place. Current professional investment advice characteristically recommended 30 per cent in equities now in contrast to the 60 per cent that was advised in the equity booms of the '50s and '60s. Moreover, the trend away from equities was specially evident in the Eurobond market where there had been a dearth of convertible issues in recent years while new issue date, both in the U.S. and U.K., bore out this trend. In 1972 in the U.S. common stock issues amounted to \$10bn and corporate bonds to \$26bn. But in 1975 bull market the figures were only \$7.5bn for common stock against \$42bn for bonds.

The group's early business, residential schools and instrumentation come readily to mind. At least one learning system and materials side give scope for the 18mm projectors to find a market.

The Europeans were concentrating on converting business ring losses and it's not until records on files to microfilm that Frey, using microfilm jackets, while expects this side to break even. U.S. counterparts were presuming the new products and focusing on banks that need faces to merit.

The group has been able to increase market share at the expense of such giants as Eastman Kodak and 3M because of faster growth outside the U.S. and because of its global concentration in the fastest growing sector. Since 1970 the world-wide market has grown at 20 per cent a year to reach sales of \$1bn in 1975. But average growth at Bell and Howell has been a quarter as fast at 25 per cent.

The group also has an edge by offering total systems, an approach that has meant selling other companies' products or acquiring companies such as Pertec to get into the lucrative Computer output to microfilm side, and Micro Design Inc. (MDI), one of the leading manufacturers of microfilm readers.

A strong drive in Europe, led by senior vice-president Gerald Parutz (the only Briton

## BELL AND HOWELL

### Microfilming the files

BY ROY LEVINE

on the top management Board) and financed by local retentions and loans, helped Bell and Howell nearly double its global market share to 12 per cent since 1971. Indeed, strong European

economic recession have brought a temporary hiccup in the long-term trend. Most of the equipment is imported from the U.S. so the fall in the pound has put pressure on sales. In the U.K. for example (the biggest market outside the U.S. and Canada), sales are up 20 per cent so far this year but only 5 per cent in volume terms.

But hiccups apart while microfilm and the rest of the business equipment division (mailroom and optical mark readers) has kept buoyant, the international side has increased its contribution to account for nearly a third of sales and 39 per cent of operating earnings. The U.S. chairman, Don Frey, has been pruning the losers. Last year the correspondence schools were phased out at a hefty \$18.5m loss to turn the whole group into a \$5.7m loss for the

There are still some other divisions that do not fit easily into an "Applied photographic company" that Bell and Howell is now trying to become. Residential schools and instrumentation side come readily to mind. At least one learning system and materials side give scope for the 18mm projectors to find a market.

The group's early business, consumer cameras, is still incurably concentrating on converting business ring losses and it's not until records on files to microfilm that Frey, using microfilm jackets, while expects this side to break even.

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The report on its properties now equals about half U.S. sales rapid growth in microfilm could converge to allow Bell and Howell to emerge out of the South Africa and the Far East.

"The scope is still enormous," he says. "With penetration acceptable to shareholders to see what Bell and Howell again found a fitting image for itself, after losing its market

Currency fluctuations and fifteen years ago.

sales of readers was one of the main reasons for the acquisition of MDI.

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order book from the coal mining industry. A combination of continued expansion at the collieries both for export and domestic trade as well as an intensified trend towards mechanisation should augur well for results in the current year. But within the coal industry as a whole, the tendency towards increased production of relatively low-grade coal has been continued.

Dr. P. E. Rousseau, says that long-term research into improved coal conversion techniques continues but "it remains unique that a viable alternative process to the synthol Fischer-Tropsch route as developed by Sasol will be available for large scale commercial application within the next ten years." In addition, he says that Sasol's consulting services on coal gasification and liquefaction continue to be in great demand from all parts of the world. But the needs of Sasol have had to take priority in some cases.

Capital cost of Sasol II is now put at R1.900m at October 1975, prices excluding the cost of the township interest during construction and working capital.

In early 1977 an escalated cost will be worked out once final contracts have been placed. But the return-on-capital is not expected to vary from initial estimates, suggesting that higher oil prices help to make the higher capital costs practicable.

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At the existing colliery, Sigmund, performed well for Africor, but South Africa as a whole has had to be restructured in rands and the Afrikaner subsidies have

been maintained at 11 cents but there is no indication as to the final 19 cents last year, except perhaps indirectly in the board's observation that "if it appears unlikely that the traditional pattern of greater earnings in the second half of the year will be repeated."

Some fall below the previous 19 cents therefore looks almost certain.

There will be little consolation from the interests outside the country as earnings from the U.K. and Australia will have declined in rand terms and the latest development at unit was started up. The chair-

JOHANNESBURG, Nov. 30.

Glen Anil is that a public man decision on the company's future that "the experience gained at Sigmund in high extraction rate mining will benefit the Sasol II coal-mining activity as a whole."

In the light of official calls for higher extraction rates, longwall mining is gaining ground, and price increases have helped to make the higher capital costs practicable.

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# Costs of cancer research

By DAVID FISHLOCK, Science Editor

"ANY FOOL can cure cancer been tried, and a handful, iso- whose metastases (secondaries) Hospital' since the late 1960s what takes brains to cure cancer without killing your patient," remarked one of Britain's foremost cancer research workers at a seminar on the latest progress in treating this disease, arranged by the Cancer Research Campaign in London recently. Professor Philip Bondy, from the Institute of Cancer Research, had previously admitted that, compared with the optimism being publicly paraded only a few years ago about finding a cure for cancer, progress had really been "terribly disappointing."

But even if it were unrealistic to talk about "having cancer on the run," he said, it was nonetheless true that the medical scientists had ideas for doing a good deal better in future. The big problem now was that if the ideas were to work the scientists would need not only brains but a lot of cash—not for research but for treating patients.

Because cancer is such a common disease—between 20 and 30 per cent of Britons living today will die of cancer—it is not usually classed by the public as a costly disease to treat, compared with say treatment on an artificial kidney or organ transplantation. Yet it is expensive, and the path of greatest promise at present will take it into still more costly fields.

To give some idea, the protracted regimes for patients the scientists now talk about cost between £200 and £2,000 per patient per year in drugs alone, depending on which medical scientist you talk to and the particular regime he is advocating. But it is still only part of the cost of treatment that includes some of the most expensive machines used in medicine.

Any idea of finding a "cure for cancer," an idea that was buoyant in the 1960s, has completely evaporated to-day. Cancer is now recognised as a large group of very diverse diseases—comparable, say, to the infectious diseases—each of which will require a specific form of treatment. But, unlike the infectious diseases, the course it will take will differ significantly from patient to patient. So each will require a regime carefully tailored to his specific problems, synthesised by a team of specialists.

Treatment with drugs of one kind or another will be at the heart of the regime—chemotherapeutic agents which attack the tumour itself, hormones, immuno-suppressants, etc. A

large amount of work has been done on the removal of metastases (secondaries) from the body, or where it has infiltrated more distant parts of the body, or where it has spread to other organs. In Edinburgh, at a capital cost of nearly £1.25m, and running day, not least because regimes first rely either on drugs, or costs of £100,000 a year.

are slowly being worked out more probably treatment with radiation, to reduce the risk that make them less dangerous to the patient. The underlying problem here is that the aberrant behaviour in living cells that leads to a cancer is so little different from their normal and other techniques is Proven to be that it is extremely difficult to find a drug and regime which will attack one without damaging the other.

## Sophisticated

But Professor Bondy confesses that "we've been doing something rather stupid." The scientists have long been testing new drugs on tumours induced in animals, of a kind known to be specially susceptible to chemotherapy. Only lately, with the success of increasingly sophisticated drug regimes, has it been realised that such animal tumours might not be a good model for human problems. Most anti-cancer drugs turn out to be most effective on tumours in the early stages, when they are still very small.

To-day they are able to use animal models more closely related to the disease in humans, created by grafting human tumours on to animals such as mice which have had their natural capacity to reject foreign tissues neutralised.

Drugs and dosages once rejected are being shown in a different light.

But other promising trends are emerging. By combining two or more drugs the scientists are sometimes able to get a more powerful response—"potentiation"—without increasing the risk for the patient. This encourages the idea that what the scientists call more "aggressive" therapy—larger doses of drugs—may be possible than hitherto.

At this point the surgeon comes into the picture. Removal of tumours is one of the main reasons for surgery nowadays. Ideally, the surgeon wants to remove intact the entire tumour and some healthy surrounding tissue which may have been infiltrated. How much healthy tissue he will want to remove depends on the cancer, its location, the stage in its development, and what the patient can stand. Often it will be less than the ideal amount.

Moreover, surgery obviously depends on the cancer, its location, the stage in its development, and what the patient can stand. Often it will be less than the ideal amount.

The success of studies with the longer hold out hopes of producing a "cure for cancer"—

a cyclotron at the Hammersmith will still be cheap at the price.

New Issue  
December 1, 1976

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Telford provided a programme of services which was fast, efficient and helpful.

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Telford Development Corporation has been very helpful, especially with housing—both rented and for private purchase.

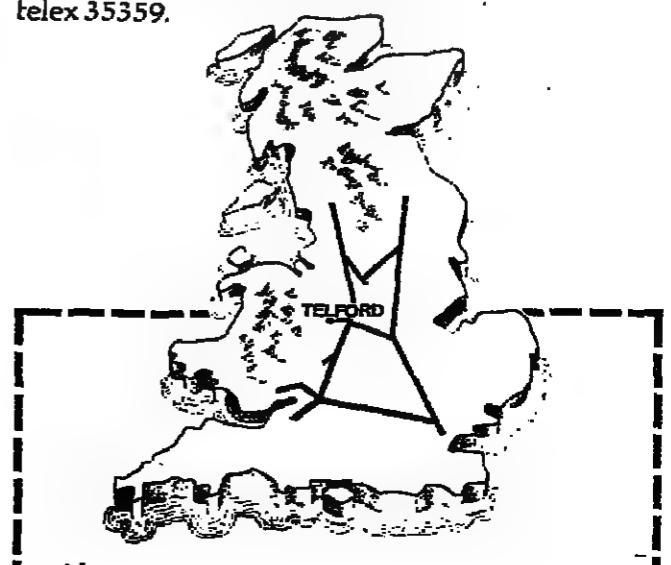
There was two-way contact. The Telford people organised tours of Telford for our Kings Norton employees to give an idea of the housing, schools and other facilities available. And education and housing officials from Telford came down to Kings Norton to advise and help.

We're very happy with the standard of labour here. Of course we brought many of our own people with us from Kings Norton, but quite a number of good workers have joined us through the Telford Homes and Jobs Plan. Our people certainly like it here in Telford, and for some of



them the countryside nearby is a new pleasure they're just discovering. The sports facilities are really excellent. And if there are a few things still lacking in the way of urban amenities, these are on the way."

If you're thinking of moving, or expanding, think of Telford. It really does have a lot to offer. Post the coupon to Bob Tilmouth, Commercial Director or phone 0952 613131 telex 35359.



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You'll be a site better off in Telford.

August 1974

BKL have been doing a little siteseeing in Telford

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## WALL STREET + OVERSEAS MARKETS

## + FOREIGN EXCHANGES

## Steel price fears push index lower

BY OUR WALL STREET CORRESPONDENT

SHARE PRICES moved lower in slow trading on Wall Street today, hit by profit-taking after gains last week and concerns about steel price increases.

By 1 p.m., however, the market was moving up again so that the

Closing prices and market reports were not available for this edition.

Dow Jones Industrial Average fell \$3.91 at 11 a.m.—showed a loss of only 1.30 at 10:48:55.

The NYSE All Common index was 12 cents lower at 854.87 having pulled back from being 23 cents lower at 11 a.m.

Volume, at 9.22m. shares, was 1.7m. below yesterday's 1 p.m. level, with declines leading advances but two-to-one.

U.S. Steel dropped \$1 to \$47.15 but Bethlehem Steel was unchanged at \$29.

Aluminum Company of America, which yesterday said it planned

Motorola lost \$1 to \$32.10—its fifth consecutive offering of 250,000 shares of Common.

Zapata Corporation moved up \$1 to \$12.10—it reported higher fourth quarter earnings late yesterday.

Carrier Corporation slipped \$1 to \$15.10 to raise prices by 2.5 per cent. from December 27 on all residential and commercial air-conditioning equipment, furnaces and unit heaters.

Prices on the AMERICAN SE declined in slow trading, the index surrendering 0.47 to 85.92 by 1 p.m.

Declines held a three-to-two edge over advances in 1 p.m. trading but two-to-one.

U.S. Steel dropped \$1 to \$47.15 but Bethlehem Steel was unchanged at \$29.

Aluminum Company of America, which yesterday said it planned

to raise prices on some aluminum sheet products, eased \$1 to \$33.85; Reynolds Metals lost \$1 to \$35.35.

PARIS—Prices dropped over a wide front in quiet trading.

MONDAY'S ACTIVE STOCKS

Canada lower

Prices declined on Canadian stock markets yesterday, with only Golds among the main sector indices standing out against the trend.

Banks rose up 3.60 to 217.48. Industrials 0.90 to 192.76. Western Oils 1.67 to 201.34. Utilities 0.89 to 185.90. Papers 0.42 to 101.19. Basic Metals 0.37 in 74.10. Golds advanced 4.42 to 202.33.

Morinian Biocell, the most active industrial, gained \$C to \$22.11 on 41,320 shares.

BRUSSELS—Lower, Helmut Sambre gave up \$Fr.43 to

\$Fr.40. Simeleau, 10 cents to \$Fr.14.60, but Swire Pacific's 10

cent rise to \$Fr.20. Jardine 10

cents to \$Fr.20. Lazard 10

cents to \$Fr.20. Jardine 10



# UNIT LOAD SHOW

## EXHIBITORS

WCB-Clares  
Upper 24/26

Bowaler Containers  
Lower 274/76/302

Bakelite Xylonite  
Lower 236/8

Department of Industry  
(NEL)  
Upper 162/4

Metal Products (Arden)  
Upper 110/12

Parker Pallets  
Upper 196/8

Ballinger Rawlings  
Lower 230/32/42/44

Cases Pallets  
Upper 64/72

Jewson Cases & Pallets  
Upper 180/82

Sumspack  
Upper 66/68/70

Unit Pallets  
Lower 286/92

Timperley Engineering  
Upper 142/44

Reed Corrugated Cases  
Lower 282/4/94/6

W. H. Shaw  
Lower 226/48

The Oford Group  
Lower 206/8/22/24

Pallet Services  
Upper 188/90

Cudde Products  
Lower 210/12/18/20

Structural Thermoform  
Lower 252/54/72

Rowlinsons (Wirebound  
Containers)  
Lower 256/8

Swiss-American Inc  
Upper 106/8

Christian Salvesen  
Pallets  
Upper 58/78

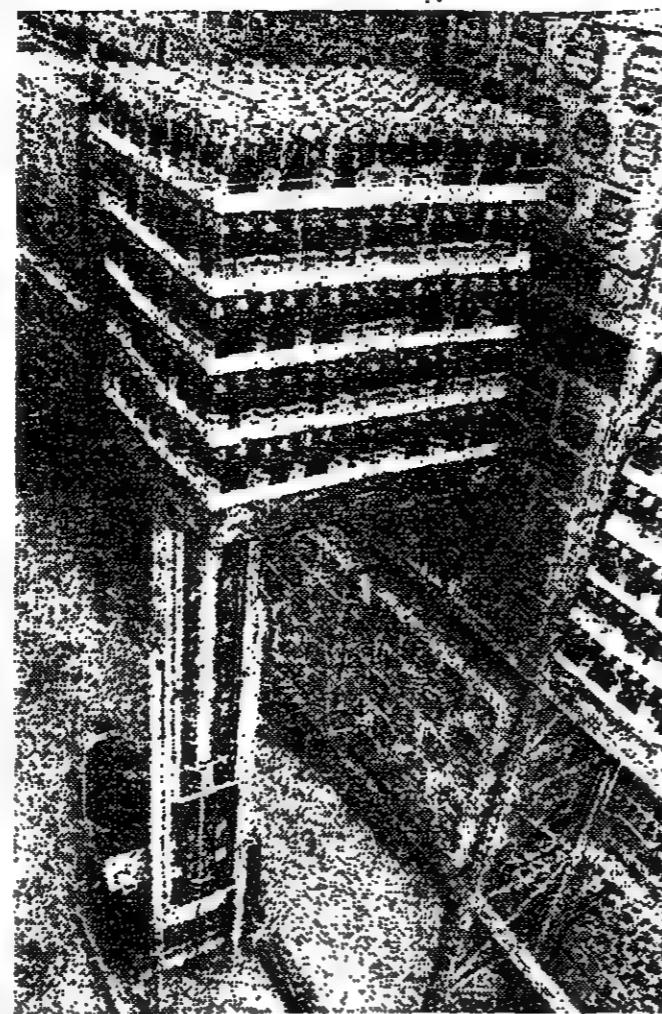
Total Mechanical  
Handling  
Lower 268/70

Bamberger Materials  
Handling,  
Lower 278/80/98/300

Swedapal  
Upper 130/132

Holmens AB  
Upper 136/38

# High hopes for pallet pool plan



GKN Chep pallets in a groceries warehouse.

UNDoubtedly THE most significant event in the U.K. pallet industry in recent years has been the introduction of the GKN Chep pallet pool, which has wide implications for all concerned in their use and manufacture.

From a cautious if well prepared start in April last year, the company now has around 200 companies renting its pallets and about 2,000 handling them in total. It has about 450,000 pallets rented out and believes that figure can be doubled in the next year.

The operation took two years of market research and planning, followed by months of setting up. This involved recruiting and training about 100 people, obtaining national depot coverage, pallet procurement, specification, testing and other work. The new company concentrated mainly on the food industries at the start and has been largely successful in winning the confidence of major companies.

Mr. John Jessop, managing director of the company, recently outlined what he believed to be the most significant advantages of the scheme. The first of these concerned the quality and maintenance of the pallet, which could be kept consistent through pooling, second, one standard size and design of pallet had considerable handling advantages. There was also a great saving of labour in the reduction of sorting empty pallets. The more companies using the one standard pallet, the easier it is for warehouses to give the pallet turnaround service, so important for both retailers and their suppliers.

### Support

He believed that the support of consignees was an important aspect, because without their co-operation no pallet control system could work in any industry, let alone the food industry.

The ability of companies to operate a pilot scheme with the company, to judge its application to particular circumstances, is also regarded as significant.

"Anyone in business in these hard times will, I am sure,

accept the fact that the decision to go over to a new and relatively untried system is not their own. Several public

independent transport contractors in operating the system on behalf of others have undertaken lightly, nor without warehousing, transport and distribution of financial tributary companies were now

benefits. Those who have completed their pilot programmes know that the savings can be very significant indeed," Mr.

Jessop claimed.

The company is now considering the need to extend the rental responsibilities being pool into all industries, and is passed on to the recipient of present gaining experience of the palleted goods or retained through clients in several other by the sender. Pallets may industries. "We will move into also be exchanged between these on a planned basis when we are confident that their total distribution patterns can be catered for by our resources."

It is added, So far present clients procedures, and facilities were gradually established for pallet

are not up to standard. Repairs are also carried out where possible. The onus is completely on PRS to ensure that it returns pallets which can be used immediately.

As with other recovery schemes the problem of identification continues to be a major one. Those "foreign" pallets collected by PRS, along with the thousands of others they handle, are set aside and the rightful owners informed where possible. "We know that because of the service we offer, we have saved many thousands of pounds in the distribution costs of many companies, besides relieving them of the considerable administrative burden.

Although the system has adapted to conditions, it was set up to work on the basis of

daily rental of pallets, with

the thousands of others they handle, are set aside and the

rightful owners informed where

possible. "We know that because of the service we offer, we have saved many thousands of pounds in the distribution costs of many companies, besides

reducing the administrative burden.

Eight depots were set up around 100 to operate control

while at the same time they are able to retain complete com-

pliance in warehouses all over the country.

Pallet recovery, the other principal means of reducing pallet costs, continues to be aimed at getting the co-operation of the recipient. It was suggested by Mr. R. J. Harris, managing director of Pallet Recovery Service of Crawley, that users must emphasise the cost aspect to their customers.

It should be pointed out, he says, that unless the distribution cost of the item is reduced, or at least held, it would only increase the cost of the item concerned. Not only is it important to get the pallet back, but it is just as important to ensure that the ones received back are in a condition where they can be used immediately.

The PRS scheme is based on appointing the company as collecting agent and then informing it each month of the number of pallets put into each collection point. It was important that this collection should be done as soon as possible, for the obvious reason that many companies have so little space in which to store pallets that they are soon dumped in places where they are likely to deteriorate or be destroyed.

When collected, the pallets are taken back to company depots, where they are inspected for damage and sorted for return, and the company is legally required to point out to clients and their employees the dangers of using pallets which are not up to standard. Repairs are also carried out where possible. The onus is completely on PRS to ensure that it returns pallets which can be used immediately.

As with other recovery schemes the problem of identification continues to be a major one. Those "foreign" pallets collected by PRS, along with the thousands of others they handle, are set aside and the rightful owners informed where possible. "We know that because of the service we offer, we have saved many thousands of pounds in the distribution costs of many companies, besides

reducing the administrative burden.

Eight depots were set up around 100 to operate control

while at the same time they are able to retain complete com-

trol and ownership of their pallet population," Mr. Harris then. Given a reasonable balance between supply and demand in the future timber market, it was likely that a more significant in terms of overall sales.

According to Mr. E. Muir Smith, a materials handling consultant, there are two major drawbacks in plastic pallets. The first is the loss rate, which continues to discount companies from buying more expensive pallets, whatever other qualities they may have. The other, he suggests, is that there is no general purpose plastic pallet in existence at the moment, such as one which will take a distributed load and distribute it evenly.

The one possible exception is the pallet developed by World Wide Plastics. However, he does make the point that about 10 years ago wooden manufacturers devised the wooden bottle crates, which were indications that they were making inroads into some rapidly changing circumstances in which pallets may be used in the future. This could well be a permanent observation.

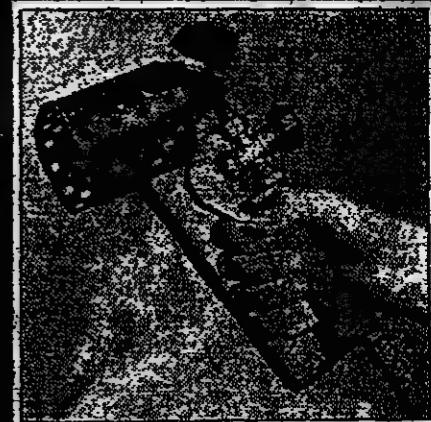
### Reflected

"One may therefore conclude that timber pallet costs will continue to rise due to all these factors. In spite of the present economic climate, these cost factors, in the short term, will reflect the cost of timber pallets.

However, he does make the point that about 10 years ago wooden manufacturers devised the wooden bottle crates, which were indications that they were making inroads into some rapidly changing circumstances in which pallets may be used in the future. This could well be a permanent observation.

L.B.

## OTFORD PLASTICS. FROM START TO FINISH.



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Only Otford Plastics extrude film to produce biaxial shrink and non-shrink covers and also supply the equipment to shrink-wrap those covers.

The film is from 36 to 230 microns with a lay-flat open width ranging from 920 mm to 2900 mm. And there is a choice of shrink-wrapper: the Hainy and the Rotojet.

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Distribution Cages

Metal Pallets and Converters

Industrial Group's requirements

Food Industry

Chemical Industry

Textile Industry

Engineering Industry

Packaging Users

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Cold Storage

Air Freight

Pharmaceutical Industry

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Related Equipment

Industrial Trucks

Pallet Racking

Conveyors

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Department of Industry Committee on Materials Handling

Pallet Wastage Report

Costs of Materials Handling

Closing the Communications Gap

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CONFRONTATION ON

Industrial buying v. Industrial selling

A public debate chaired by Raymond Baxter

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100-150

# Is this kind of pallet to your taste?

An extensive research and development programme by Structural Thermoform Ltd., has resulted in a revolutionary new pallet which offers you:

**Safety** stable in racking with heavy and uneven loads at all temperatures.

**Versatility** size, strength, shape and surface configuration tailor made to individual requirements.

**Durability** combination of steel and plastics provides a pallet with outstanding lasting properties.

**Hygiene** ease of cleaning makes pallet especially suitable for pharmaceutical and food handling applications.

**Performance** can be engineered to meet any specification including draft DIN and British Standards.

See it in action on the Structural Thermoform Stand 254 at the Unit Load Show, Wembley.

Structural Thermoform Ltd., Westmorland Road, Kingsbury, London NW9 9RR. Tel: 01-204 7278.

It's possible to cut export packing costs by up to a third simply by using Bowfort freight containers.

All it requires is a little thought. And the determination not to be a 'timber or nothing' merchant.

Bowfort export cases are made of heavy duty fibreboard. Far lighter and easier to handle than wood and plywood equivalents, they absorb every knock that's thrown at them.

Yet you can despatch anything from machine tools to motor cars in Bowfort cases to markets all over the world.

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## ADVERTISEMENT

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Booth—Modern Materials Management

Maydon—Jewson Cases & Pallets

Manners—Metal Box

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Griffiths—WCB-Clares

Wilson-Smith—C.P.D.M.

Jessop—GKN-Chep

Crawford—United Biscuits

Hesketh—I.C.I.

Curtis—Ocean Liners

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Gordon—PIRA

Aaronson—Bridgend Thermoform

Solomons—Sumapack

Wedekind—Bakelite Xylonite

Carlton—Pallet Enterprises

Purvis—Caddie Products

Bridges—Redman Fisher

Van Daesdonk—Grants of St. James's Services

Toole—Frigoscandia

Dowley—British Caledonian

Mudd—Fisons

Knipe—R.A.O.C.

Aldridge—Thermalite

Raymond Baxter

Rayfield—Unit Pallets

Harvey—K & N Electronics

Sheridan—Whitbread

Cosgrove—Institute of Materials Handling

Hutchinson—Institute of Packaging

Armstrong—Institute of Cost and Management Accountants

Church—Institute of Marketing

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Day—Institute of Export

Ashwell—Transport and General Workers Union

Harvey—Lansing Bagnall

Gue—Dexion

Thomson—MEC Materials Handling

Fisher—Owen Thorn Automated Warehousing

Huntley—Distribution and Storage Consultants

McIntosh—Industrial Facts and Forecasting

Martin—Department of Industry

Carpenter—N.W.H.C.

Winch—Cape Distribution

Francis—Institute of Materials Handling

Webb—Polytechnic of Central London

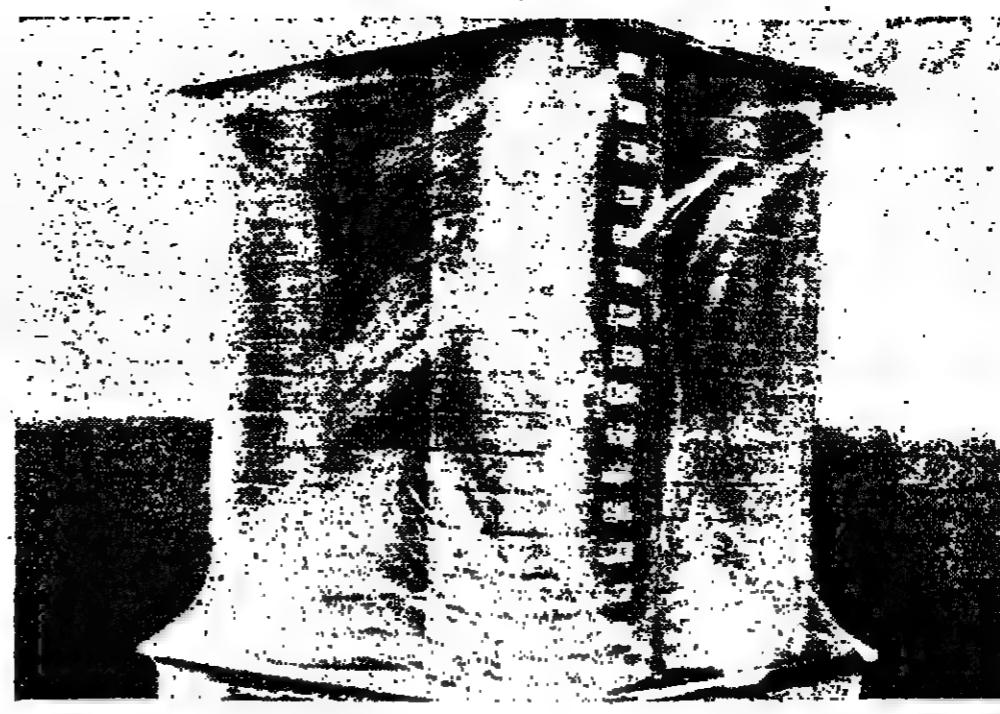
## UNIT LOAD III

# Shrink-wrap progress

THE WRAPPING and securing capability is required, the hand of palletised loads can be held gun is used to shrink the achieved in an infinite number film on to the load. Although of differing combinations to these are manufactured in the United States and Germany, the goods, and the right combination depends largely on the strong. They are now being used in some cases as a type of goods and their destination. Most companies have multiple battery, in fixed positions, as a compromise between getting this right, and many have invested in expensive equipment for wrapping, but to £500.

Stretch wrapping, a technique introduced fairly recently, is normally achieved by winding and stretching plastic film round the load. Although it has the disadvantage of leaving the top exposed in some cases, it has to its credit the safety aspect of not needing heat and is sometimes regarded as more suitable for fragile goods. This method is also less expensive, with a high-capacity system costing around £3,000.

Second, where a limited



Shrink-wrapped pallets.

of protection against the extent by its destination and the to be used with a gun will cost type of handling it will receive, around 60p, and the energy used weather.

The use of stretch wrapping is growing fast, although it does have some drawbacks. For example, if the top of the load must be protected from dirt or pilferage, an extra piece of film has to be used, since the stretch wrap only protects the sides. However, this method can be used with goods which themselves are covered with shrink wrap without getting the two films fused together.

The method is also considered good for articles which have sufficient weight to resist the strain of the film being wound round the load, but on the other hand stretch wrapping cannot be used with bulk palletised loads, cans or bottles because these can easily be displaced by the tension of the film.

For shrink wrapping of good quality, it is regarded as essential to use an oven or tunnel, as the hand gun will not generally produce the same results. The film is extremely labour intensive and depends largely on the skill of the operator. Similarly, a thinner film can generally be used in a tunnel.

Whatever the decision, it is also likely to be influenced by the importance of avoiding pilferage of the goods and keeping them clean and tidy, with the added possible requirement

that with the level of the pallet deck are not liable to serious damage, and that the nature and condition of the load can be observed through the film. Corner or other protection against the pressure of the film is not usually needed as the pressure is usually evenly and gradually applied.

With the considerable investment required to establish any of the larger scale systems, it will be interesting in two or three years' time to see how the deal of labour.

On the question of cost, it is obviously determined to some extent that hoods or bags

L.B.

CONTINUED FROM PREVIOUS PAGE

## Caging

CONTINUED FROM PREVIOUS PAGE

pioneer caging. Its stores tend to be large to the extent of becoming superstores, and caging is really only practicable where there is plenty of floor space for the cages. In addition it concentrates on the basic branded grocery lines so that 80 per cent. of its grocery turnover comes from just 250 lines—and caging is best adapted for fast moving products. ASDA has also been successful in persuading manufacturers to deliver direct to its stores: those multiples that run central warehouse automatically lose some of the advantages of caging.

ASDA would expect 25 per cent. of its turnover in a new supermarket to be caged, and reckons in time that this can move up to 80 per cent. It believes that the obstacles to further expansion are not the type of product (it satisfactorily cages lines like flour) but the turnover of the goods.

For ASDA caging coincided with expansion: more traditional multiples have faced some difficulties. Tesco, for example, went over-board on caging at its have

Erlam supermarket with dire results. Caging has to be blended with more conventional methods of displaying goods—too many cages, piled five high on top of shelves (at the top),

enthusiastically, and the company is now striving for a balance, mixing cages (perhaps at the bottom of a display) with two ideas go hand-in-hand.

Caging may well mean changes in conventional distribution patterns. The argument against retailer-controlled warehouses holding stocks of merchandise, are reinforced by caging, which is most useful when it eliminates all forms of storage. For Sainsbury's this creates difficulties, since the company has favoured the strategically sited series of depots approach to service its stores.

There seems to be no consumer antagonism to a sensible amount of caging in a shop and one other advantage of this form of selling is that it can be effectively tested against conventional methods at little cost. The fact that the company which has adopted caging most widely, ASDA, is also the company that has been the grocery retailing success story of the decade must be more than a coincidence.

Antony Thorncroft

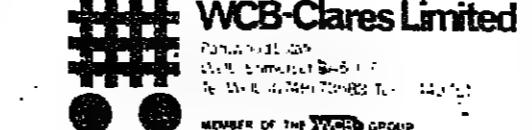
Its Winsford operation is now given over 20 per cent. to caging, but Keith Padden does not see this selling method extending out of the larger retail outlets, and further expansion is dependent on careful testing. Where caging obviously pays off, as it did in Hyde when biscuits were sold in both cages and on shelves with a higher turnover through the cages, it will be attempted—if the manufacturers will co-operate.

Peter Firmston-Williams, believes that the manufacturers' doubts can be overcome, especially as caging offers excellent display in store. In a period of remorselessly rising retail grocery prices any new process which can save on labour, on costly store space, on distribution, is doubly welcome. Caging is here to stay and it will be extended as supermarket chains, with their ability to offer

keep the merchandise moving!



Clarecage folding pallets carry goods direct from the producer to the point of sale. Stackable both loaded and collapsed.



Clarestainer enclosed pallets cut vehicle turn-around by up to 80%.

## UNIT LOAD SHOW

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GKN-Chep

MGK Engineering

Aid' Pallets

ONE

F. A. Power

'W' Ribbons

Profile Packaging

B-Mat

Poskitt Pallets

A. N. Marr

Tilgate Metal Products

Spotnails

Pallettower

Kunz Engineering

Thames Case

Containair Systems

Horneastle Group

Lavtons Pallets

J. Hodson's Pallets (Repairs)

Shaw Pallet Control

Metal Closures

Matthew Wylie

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National Materials Handling Centre

Castle Pallets

PC & KC Chase

NBM Timber Products

Aid-Pack Systems

TLT Distribution

Tube Winding (Paper)

Senco Pneumatics

Pallet Recovery Service

R. Durell & Co.

John Randall

Triplastic (UK)

Colden Packaging

W. H. Davey & Co.

Lewis Gilders

Tower Pallets & Cases

Gibbons Brothers

MIA (Sheffield)

Dolan Corrugated Containers

A. & J. Scott

Stars Pallet

FIDOR

Alf Davis

George Cohen Machinery

British Industrial Fastenings

Danckaert's Woodworking Machinery

Grade Plastics

Braby Pallets & Containers

Dolan Export

## UNIT LOAD IV

# Searching for new techniques

THE DRIVE for new developments in the pallet industry comes from two directions. First, the sector could provide another outlet for materials other than timber. So manufacturers of materials like plastic, paper and board, chipboard and so on have been searching for the right formulae for the commercial breakthrough they hope to achieve.

Then there is the search for the "expendable" pallet, one that costs so little while saving so much that the user does not mind it disappearing after one journey. Behind the search for the expendable pallet is the fact that so far there has been no satisfactory international pallet pool developed—all the pools which do exist operate within national boundaries.

## Variety

The problem any designer faces when dealing with the pallet is that the pallet is not used just when goods are despatched. Pallets have to stand in warehouses and stores, often on beam racking. Pallets must be handled by a variety of equipment ranging from the human hand to cranes and fork lift trucks. Pallets often must be carried in several different vehicles on their journeys. Road vehicles of various kinds and an assortment of ships and barges may be involved.

It has been estimated that a pallet load of confectionery going from Birmingham in England to distributors in Sydney, Australia, will be handled on average 17 times before it reaches its final destination. To ask that this is successfully completed on a pallet manufactured at a very low price is asking a lot of industry.

The difficulties facing the potential manufacturer of expendable in the U.K. are even more severe. U.K. food man-

facturers buy more than 4m. pallets a year and about half of them get lost, stolen or go astray. Analysis has shown that the total cost per pallet journey within the U.K. food and grocery distribution system, including the basic purchase price, losses, repairs, amortisation and cost of capital, amounts to £5p. So any suitable expendable pallet would be expected to do all that the conventional type will do and yet cost only 65p.

To get an indication of what has been achieved in cutting the cost of an individual pallet you can turn to those manufacturers who have produced some using timber with reduced specifications. These pallets are made to standard designs but with the deck boards reduced in thickness, use is made of inferior timber, fewer nails and less boards.

In this way the cost can be reduced to between half and two-thirds of the cost of a similar normal pallet. One new pallet of this type sells for between £1.40 and £1.80 compared with £3.10 to £3.50 for an ordinary pallet.

The fact that five companies are presenting plastic pallets at the Unit Load Show proves that this material is making a serious attempt to capture a good share of the market. These pallets are, of course, attacking the conventional timber market.

There are various benefits offered by plastic pallets. They are, for example, easily identifiable by colour and appearance.

A company can have its name moulded on to the pallet wherever identification signs wear off timber types. Plastic pallets are also easily cleaned, making them attractive for food handling.

At the Unit Load Show there will be on show a range of pallets capable of being made fully automatically, at a high speed, from a variety of materials on a single machine.

The \$400,000 machine can pro-

duce pallets from treated or untreated board, plywood, hard

board, or a combination of these

what a timber pallet costs, size for size. And in the past it was not possible to use plastic pallets in pallet racking systems. However, at least two of the plastic pallets at the Unit Load Show claim that they can be used for racking.

For these companies attempting to produce the disposable plastic pallet the main difficulty is that the material has little rigidity unless very thick sections are used or strength engineered into the material.

In the U.S. attempts are being made to finance a programme aimed at establishing if strength can be added to various plastics by altering the structure of the molecules.

Paper and board companies are not only interested in attempting to find new markets for their products but are also big users of pallets themselves.

Much time and effort has gone into finding a satisfactory solution but so far without tremendous commercial success.

Polystyrene is light, cheap and can be moulded at no great cost and pallets made from this material will take light loads satisfactorily. At £1 for a 40 inch by 40 inch pallet, these come nearer in price to being the ideal expendable pallet than any of the competition.

## Nothing

Like paper and board pallets those made from moulded chipboard or wood waste seem to suffer from performance problems and so far attempts to produce suitable pallets from re-cycled waste materials seem to have come to nothing.

At the Unit Load Show there will be on show a range of pallets capable of being made in standard size containers, such as the Bowfort container module, which are claimed to speed up container loading and reduce risk of damage.

It is also claimed that by

allowing many small packages

to be consolidated into a single

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This means a faster container turnaround either at the manufacturer's factory or at the container base. Loading is by fork-lift truck, diminishing handling costs and because the loads are distributed evenly within the container, there is less risk of damage in transit. Further savings on direct packaging costs, freight charges, labour and space, are attributed to the use of pallet boxes. Companies such as Rank have used them for transporting electrical equipment, and W. and T. Avery, the

scale manufacturers, for moving

their products.

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# Vantrunk

Cable Support Systems

Edinburgh Place, Harlow, Essex

Telephone: 0279 (Harlow) 24652-5

A member of the BICC group of companies.

# FT SHARE INFORMATION SERVICE

## CANADIANS

## BUILDING INDUSTRY—Continued

## DRAPERY, AND STORES—Continued

## ENGINEERING—Continued

## INDUSTRIALS

## (Misc.)

## ELECTRICAL AND RADIO

## CHEMICALS, PLASTICS

## CHEMICALS, PLASTICS

## ENGINEERING, MACHINING TOOLS

## FOOD, GROCERIES, ETC.

## HOTELS—Continued

## HOTELS AND CATERERS

## Conversion factor 0.7166 (0.7145)

## \*\*BRITISH FUNDS

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